

CITY OF HUDSON, WISCONSIN
FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2015

**CITY OF HUDSON, WISCONSIN
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YEAR ENDED DECEMBER 31, 2015**

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

The City Council
City of Hudson
Hudson, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hudson, Wisconsin (City) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Hudson, Wisconsin as of December 31, 2015, and the respective changes in the financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Change in Reporting Entity

During the year ended December 31, 2015, the other member in the St Croix Business Park abandoned its interest in the Business Park, resulting in the City becoming a majority member. The Business Park was previously reported by the City as a related entity but with the change of interest in 2015, the City now reports the Business Park activity as a discretely presented component unit. Our auditors' opinion was not modified with respect to this change.

Change in Accounting Principle

During the year ended December 31, 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. As a result of the implementation of GASB Statement No. 68 and No. 71, the City reported a restatement for the change in accounting principle (see Note 4.H). Our auditors' opinion was not modified with respect to the restatement.

Other Matters

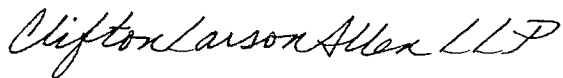
Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Wisconsin Retirement System pension plan schedules, and schedule of funding progress, as referenced in the table of contents, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements as a whole. The combining and individual fund statements are presented for purposes of additional analysis and are not a required part of the financial statements. This information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such

information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. We have also previously audited, in accordance with auditing standards generally accepted in the United States of America, the City's basic financial statements for the year ended December 31, 2014 which are not presented with the accompanying financial statements. In our report dated August 10, 2015, we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. That audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The 2014 individual fund statements are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2014 financial statements. The information has been subjected to the auditing procedures applied in the audit of those financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2014 individual fund statements are fairly stated in all material respects in relation to the basic financial statements from which they have been derived.



CliftonLarsonAllen LLP

Hudson, Wisconsin
September 30, 2016

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

As management of the City of Hudson, Wisconsin (City), we offer the readers of the City's financial statements this narrative overview and analysis of financial activities of the City for the year ended December 31, 2015. Please consider this information in conjunction with the City's financial statements, which begin on page 18 following this narrative.

FINANCIAL HIGHLIGHTS

Key financial highlights for the year ended December 31, 2015 include the following:

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$92,444,986 (*net position*). Of this amount, \$63,439,718 represented the City's net investment in capital assets, \$7,243,396 was held for restricted purposes, and \$21,761,872 was unrestricted. The unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors.
- During the year, the City's total net position increased by \$1,119,883 after application of a change in accounting principle of \$1,858,235. Net position related to the business-type activities of the City increased \$476,566, while net position related to governmental activities increased \$643,317.
- At the end of 2015, the City's governmental funds reported combined ending fund balances of \$13,546,888, an increase of \$2,300,770 from the previous year. This increase was largely attributable to unspent debt proceeds in the capital projects fund.
- During the year, the general fund balance increased \$766,304. At the end of 2015, the unassigned general fund balance totaled \$4,450,983 or 53.3% of the general fund expenditures and other financing uses. The City has assigned \$630,534 of its general fund balance, which together with the year end unassigned balance, represented 60.9% of general fund expenditures and other financing uses.
- The City's outstanding long-term debt and other long-term obligations increased by \$2,454,615 during the current fiscal year. The City issued \$4,713,000 of new debt during 2015, with which \$713,000 refunded old debt.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The two government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

The *Statement of Net Position* presents information on all of the City's assets and deferred outflows of resources, less liabilities and deferred inflows of resources, with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish those functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and service charges (*business-type activities*). The governmental activities of the City include general government, public safety, public works, health and social services, culture, recreation and education, and conservation and development. The business-type activities of the City include a water utility, a sewage treatment utility, parking facilities and ambulance services.

The government-wide financial statements include not only the City of Hudson itself (known as the primary government), but also the legally separate Hudson Area Joint Library, the Joint City of Hudson - Village of North Hudson Community Access Board, and the St Croix Business Park for which the City of Hudson is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found beginning on page 18 of this report.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with various finance-related legal requirements. All of the funds of the City can be divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

The City reports eleven (11) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund, impact fees fund, debt service fund and capital projects fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the supplementary information section.

The basic governmental fund financial statements can be found beginning on page 20 of this report.

Proprietary funds. Enterprise funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water utility, sewer utility, parking utility and ambulance service.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for each of the enterprise funds, which are all considered to be major funds of the City.

The basic proprietary fund financial statements can be found on page 25 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is similar to that used for proprietary funds.

The basic fiduciary fund financial statements can be found beginning on page 30 of this report.

Notes to the Financial Statements

The notes to the basic financial statements provide additional detail that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found beginning on page 31 of this report.

Supplementary Information

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information on the City's operating budget. Required supplementary information can be found beginning on page 69 of this report.

Following the basic government-wide and fund financial statements, accompanying notes, and required supplementary information, additional supplementary information has been provided as part of this report. The supplementary information includes combining statements for the nonmajor governmental funds and individual fund statements for selected funds. This supplementary information section of the report begins on page 74.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$92,444,986 at the close of 2015. The largest portion of this net position (69%) reflects the City's investment in capital assets, including land, land improvements, buildings, machinery and equipment, infrastructure, plant in service and construction in progress, net of related outstanding debt used to acquire the assets. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following is a summary of the City's statement of net position:

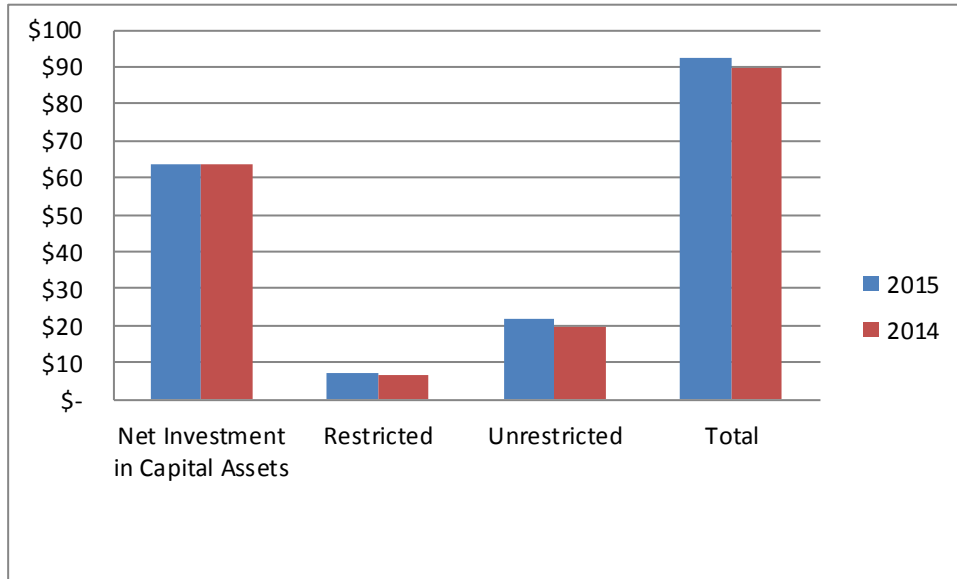
**Condensed Statement of Net Position
December 31, 2015 and 2014**

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 23,035,545	\$ 19,558,520	\$ 17,911,106	\$ 17,503,418	\$ 40,946,651	\$ 37,061,938
Capital Assets	47,047,324	45,979,651	28,953,214	29,200,289	76,000,538	75,179,940
Internal Balances	74,264	132,538	(74,264)	(132,538)	-	-
Total Assets	<u>70,157,133</u>	<u>65,670,709</u>	<u>46,790,056</u>	<u>46,571,169</u>	<u>116,947,189</u>	<u>112,241,878</u>
Deferred Outflows of Resources	760,272	-	199,902	-	960,174	-
Long-Term Debt Outstanding	14,371,809	11,684,560	878,625	1,178,294	15,250,434	12,862,854
Other Long-Term Obligations	1,205,971	1,130,143	-	-	1,205,971	1,130,143
Other Liabilities	764,448	814,314	431,313	576,292	1,195,761	1,390,606
Total Liabilities	<u>16,342,228</u>	<u>13,629,017</u>	<u>1,309,938</u>	<u>1,754,586</u>	<u>17,652,166</u>	<u>15,383,603</u>
Deferred Inflows of Resources	7,810,211	7,391,407	-	-	7,810,211	7,391,407
Net Position:						
Net Investment in						
Capital Assets	35,169,617	35,329,999	28,270,101	28,267,098	63,439,718	63,597,097
Restricted	3,978,015	3,389,229	3,265,381	2,923,027	7,243,396	6,312,256
Unrestricted	7,617,334	5,931,057	14,144,538	13,626,458	21,761,872	19,557,515
Total Net Position	<u>\$ 46,764,966</u>	<u>\$ 44,650,285</u>	<u>\$ 45,680,020</u>	<u>\$ 44,816,583</u>	<u>\$ 92,444,986</u>	<u>\$ 89,466,868</u>

An additional portion of the City's net position (8%) represents resources that are subject to other restrictions as to how they may be used. The remaining \$21,761,872 of total net position (23%) may be used to meet the City's on-going obligations to its citizens and creditors. It is important to note that \$14,144,538 of the unrestricted net position is related to the City's business-type activities. Consequently, they generally may not be available to fund governmental activities.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

The following chart shows the comparison of the three components of net position for the years 2015 and 2014 (in millions):



Governmental Activities. The following condensed statement of changes in net position of the City's governmental activities for the year ended December 31, 2015, shows total net position increased \$643,317 (1.4%) from the prior year. The primary reason is due to a workers comp insurance reimbursement and increased building permit revenues in the general fund, as well as favorable expenditure variances in various departments of the general fund.

Business-type Activities. The following condensed statement of changes in net position of the City's business-type activities for the year ended December 31, 2015, shows total net position increased \$476,566 (1.0%) from the prior year. The key reason for this increase is due to capital contributions.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

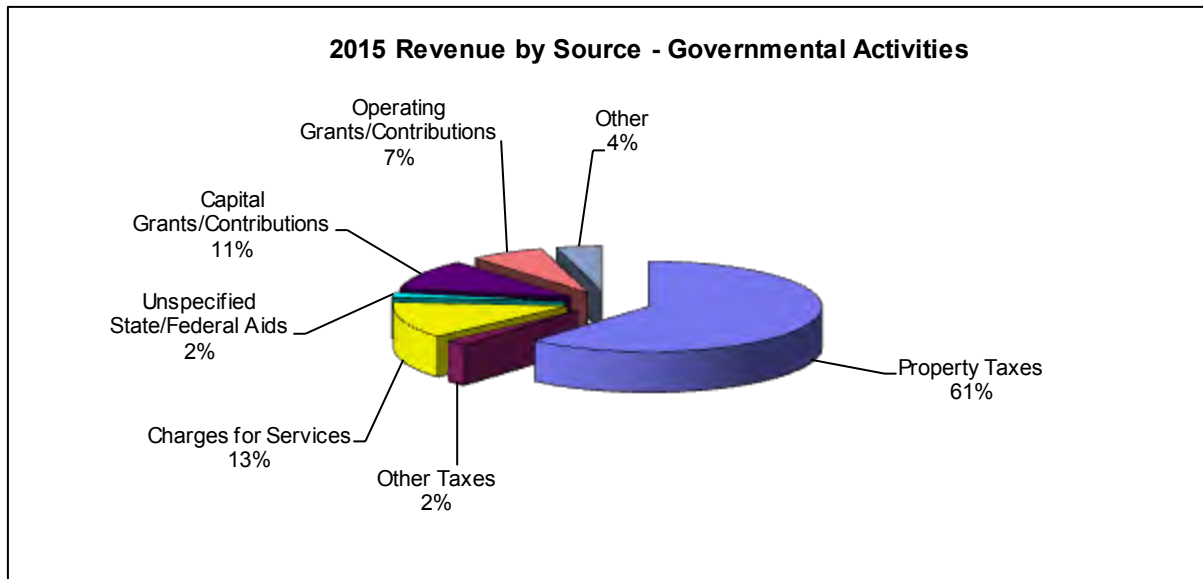
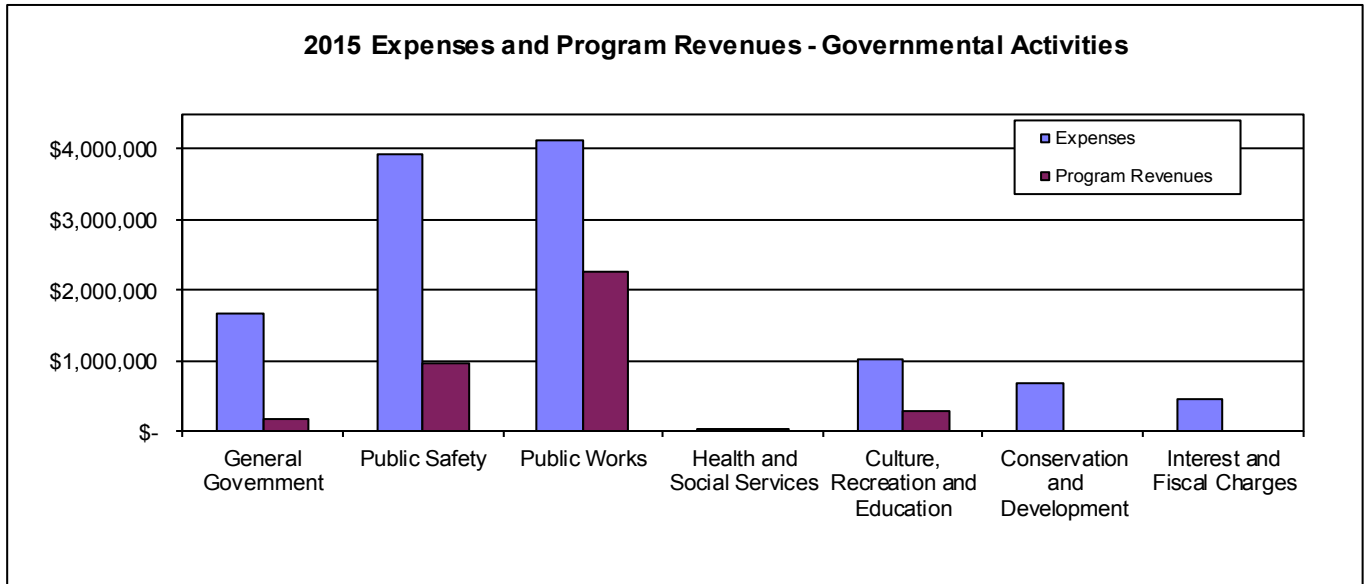
The following is a summary of the changes in the City's net position for the years ended December 31, 2015 and 2014:

**Condensed Statement of Changes in Net Position
December 31, 2015 and 2014**

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues:						
Charges for Services	\$ 1,556,502	\$ 1,370,686	\$ 5,935,768	\$ 5,859,879	\$ 7,492,270	\$ 7,230,565
Operating Grants and Contributions	839,844	711,830	2,452	300	842,296	712,130
Capital Grants and Contributions	1,311,387	240,378	562,889	225,411	1,874,276	465,789
General Revenues:						
Property Taxes	7,391,407	7,186,283	-	-	7,391,407	7,186,283
Other Taxes	243,566	223,669	-	-	243,566	223,669
State and Federal Aids not Restricted to Specific Programs	195,382	198,880	-	-	195,382	198,880
Other	512,524	845,733	136,462	558,093	648,986	1,403,826
Total Revenues	<u>12,050,612</u>	<u>10,777,459</u>	<u>6,637,571</u>	<u>6,643,683</u>	<u>18,688,183</u>	<u>17,421,142</u>
Expenses:						
General Government	1,667,652	1,537,345	-	-	1,667,652	1,537,345
Public Safety	3,918,222	3,822,889	-	-	3,918,222	3,822,889
Public Works	4,109,936	4,305,848	-	-	4,109,936	4,305,848
Health and Social Services	10,876	16,001	-	-	10,876	16,001
Culture, Recreation, and Education	1,012,047	1,373,378	-	-	1,012,047	1,373,378
Conservation and Development	693,463	970,922	-	-	693,463	970,922
Interest and Fiscal Charges	448,961	347,846	-	-	448,961	347,846
Water	-	-	2,340,684	2,433,322	2,340,684	2,433,322
Sewage Treatment	-	-	1,865,507	1,950,298	1,865,507	1,950,298
Parking Facility	-	-	135,649	45,712	135,649	45,712
Ambulance Services	-	-	1,365,303	1,392,542	1,365,303	1,392,542
Total Expenses	<u>11,861,157</u>	<u>12,374,229</u>	<u>5,707,143</u>	<u>5,821,874</u>	<u>17,568,300</u>	<u>18,196,103</u>
Change in Net Position before Transfers	189,455	(1,596,770)	930,428	821,809	1,119,883	(774,961)
Transfers	453,862	443,002	(453,862)	(443,002)	-	-
Change in Net Position	643,317	(1,153,768)	476,566	378,807	1,119,883	(774,961)
Net Position - Beginning of Year	44,650,285	45,804,053	44,816,583	44,437,776	89,466,868	90,241,829
Restatement Due to Change in Accounting Principle	1,471,364	-	386,871	-	1,858,235	-
Net Position - Beginning of Year, As Restated	<u>46,121,649</u>	<u>45,804,053</u>	<u>45,203,454</u>	<u>44,437,776</u>	<u>91,325,103</u>	<u>90,241,829</u>
Net Position - End of Year	<u>\$ 46,764,966</u>	<u>\$ 44,650,285</u>	<u>\$ 45,680,020</u>	<u>\$ 44,816,583</u>	<u>\$ 92,444,986</u>	<u>\$ 89,466,868</u>

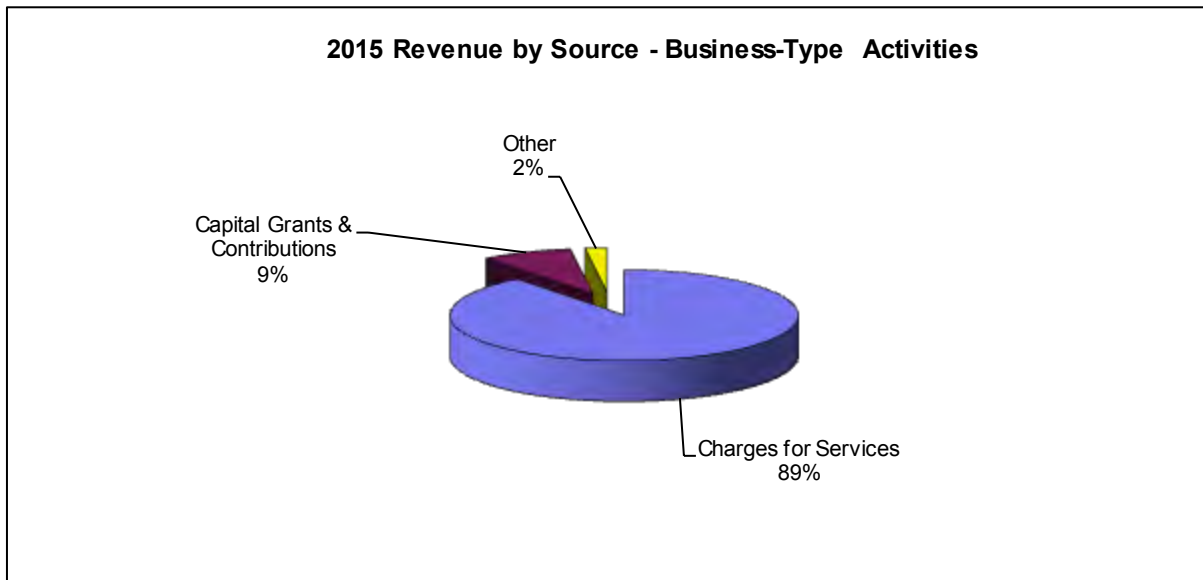
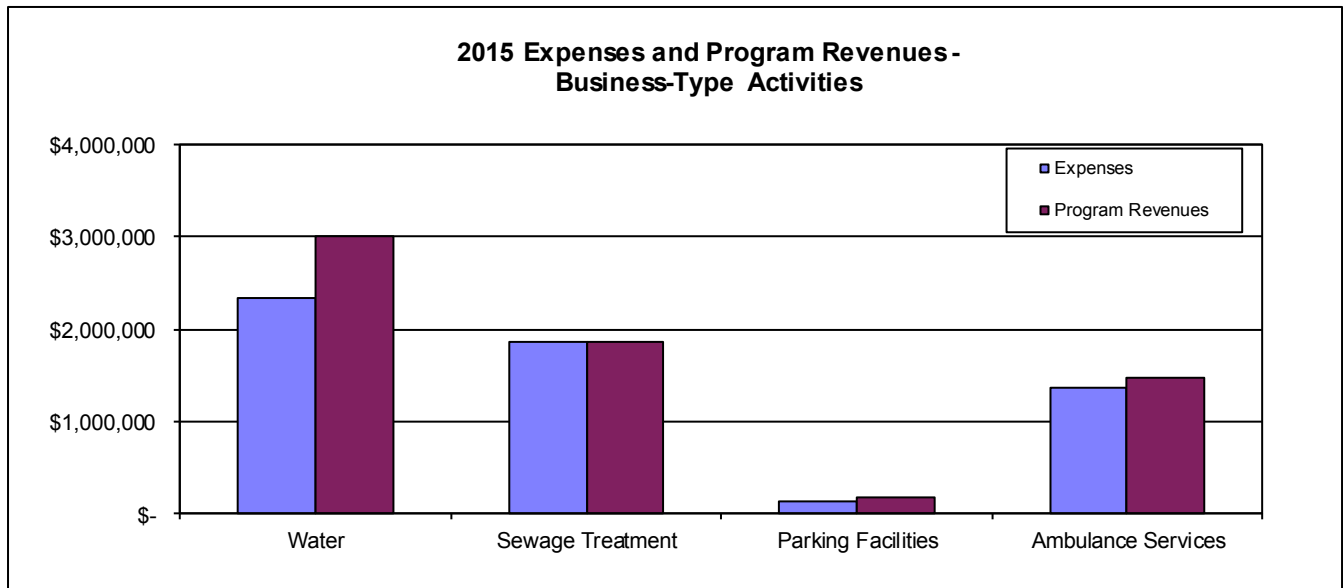
A review of the statement of activities can provide a concise picture of how the various functions/programs of the City are funded. The following charts draw data from the statement of activities.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**



As shown above, the City is highly dependent on property taxes (61%) as its principal source of revenues for governmental activities. Program revenues represent 31% of governmental activities revenue.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**



In the case of business-type activities, the data shows a considerably different picture from that of governmental activities. Charges for services (89%) replace property taxes as the primary revenue. Grants and contributions consist primarily of impact fees collected for the water utility and hook-up fees for sewer services.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the City's governmental funds is to provide information regarding near-term inflows, outflows and balances of spendable resources. Such information can be useful in assessing the City's financing requirements. In particular, the level of unassigned fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2015, the City's governmental funds reported combined ending fund balances of \$13,546,888, an increase of \$2,300,770 from the previous year, which is primarily a result of unspent debt proceeds in the capital projects fund in the current year. The governmental funds comprising this balance are shown below:

	Fund Balances at 12/31/2015						Change
	Nonspendable	Restricted	Committed	Assigned	Unassigned	Total	During Year
Major Funds:							
General Fund	\$ 124,471	\$ -	\$ -	\$ 630,534	\$ 4,450,983	\$ 5,205,988	\$ 766,304
Impact Fees Fund	-	1,487,098	-	-	-	1,487,098	(489,905)
Debt Service Fund	-	110,388	-	-	-	110,388	99,039
Capital Projects Fund	-	1,776,379	2,263,306	-	-	4,039,685	1,800,777
Nonmajor Funds:							
Sewer Collection System							
Replacement Fund	-	-	1,010,842	-	-	1,010,842	65,402
Parks Dedication Fees Fund	-	593,895	-	-	-	593,895	136,262
Police Donations Fund	-	15,526	-	-	-	15,526	(6,257)
Police Drug Forfeitures Fund	-	759	-	-	-	759	-
Business Park Revolving Loan Fund	-	545,077	-	-	-	545,077	16,973
Storm Fund	-	-	-	-	-	-	(233,975)
Stormwater Fund	-	537,630	-	-	-	537,630	146,150
	<u>\$ 124,471</u>	<u>\$ 5,066,752</u>	<u>\$ 3,274,148</u>	<u>\$ 630,534</u>	<u>\$ 4,450,983</u>	<u>\$ 13,546,888</u>	<u>\$ 2,300,770</u>

The general fund is the primary operating fund used to account for the governmental operations of the City. As a measure of the general fund's liquidity, it may be useful to compare both total fund balance and unassigned fund balance to measures of operating volume such as fund expenditures or fund revenues. The total year-end general fund balance represented 62.4% of total general fund expenditures and other financing uses reported on the statement of revenues, expenditures and changes in fund balances while the unassigned balance represented 53.3% of the same amount. The City has assigned \$630,534 of its general fund balance which combined with the year-end unassigned balance (\$5,081,517), represented 60.9% of that same amount.

The general fund's total fund balance increased \$766,304 during the year, which is primarily due to the storm fund projects being completed and the residual fund balance being transferred into the General Fund.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

The impact fees fund, a special revenue fund, had a balance of \$1,487,098 at December 31, 2015. This balance consists of the unexpended balances of various types of impact fees collected by the City to be used for specified purposes by a specified period of time. Wisconsin Statutes §66.0617(9) place deadlines on the expenditure of impact fees and require the refunding (with interest) of impact fees not expended within the 10 year time limit. In 2015, the City refunded \$253,881 of impact fees that had not been expended within the time limit.

The debt service fund had a fund balance of \$110,388 at December 31, 2015. This is an increase of \$99,039 from prior year due to the issuance of debt in the current year that resulted in the City receiving a premium.

The capital projects fund is used by the City on an ongoing basis to account for various governmental capital outlay projects primarily financed from proceeds of long-term debt. The balance at December 31, 2015 and changes during the year are shown by the individual internal projects in supplementary Schedule C-1.

The aggregated other governmental funds column includes various special revenue funds used to account for the proceeds of specific revenue sources that are restricted to expenditures for specific purposes. The accumulated fund balances of these funds increased \$124,555 during 2015. Transactions of these funds are further detailed in the supplementary information section of this report.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements but in greater detail. As shown below, the net position of the enterprise-type proprietary funds at the end of 2015 totaled \$45,680,020, up \$476,566 from the previous year, after application of a change in accounting principle.

**Condensed Statement of Changes in Net Position for Enterprise Funds
Years Ended December 31, 2015 and 2014**

	Water Utility		Sewer Utility		Parking Utility		Ambulance Service		Totals	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
Operating Revenues	\$ 2,831,217	\$ 2,696,320	\$ 1,470,015	\$ 1,481,068	\$ 172,616	\$ 181,939	\$ 1,461,920	\$ 1,500,552	\$ 5,935,768	\$ 5,859,879
Operating Expenses:										
Depreciation	731,232	761,414	376,466	369,141	47,587	35,599	70,303	64,706	1,225,588	1,230,860
Other	1,609,452	1,671,908	1,468,626	1,581,301	88,062	80,113	1,291,821	1,322,937	4,457,961	4,656,259
Operating Income (Loss)	490,533	262,998	(375,077)	(469,374)	36,967	66,227	99,796	112,909	252,219	(27,240)
Nonoperating										
Revenues (Expenses)	68,062	267,965	429,757	415,292	5,226	84,797	2,340	4,437	505,385	772,491
Net income (Loss)										
Before Contributions										
and Transfers	558,595	530,963	54,680	(54,082)	42,193	151,024	102,136	117,346	757,604	745,251
Capital Contributions	172,824	76,558	-	-	-	-	-	-	172,824	76,558
Transfers to Other										
Funds	(396,802)	(385,948)	(57,060)	(57,054)	-	-	-	-	(453,862)	(443,002)
Changes in Net Position	334,617	221,573	(2,380)	(111,136)	42,193	151,024	102,136	117,346	476,566	378,807
Net Position - Beginning	30,366,050	30,144,477	11,884,361	11,995,497	1,644,703	1,493,679	921,469	804,123	44,816,583	44,437,776
Change in Accounting Principle	166,610	-	120,376	-	8,701	-	91,184	-	386,871	-
Net Position - Beginning (Restated)	30,532,660	30,144,477	12,004,737	11,995,497	1,653,404	1,493,679	1,012,653	804,123	45,203,454	44,437,776
Net Position - End of Year	<u>\$ 30,867,277</u>	<u>\$ 30,366,050</u>	<u>\$ 12,002,357</u>	<u>\$ 11,884,361</u>	<u>\$ 1,695,597</u>	<u>\$ 1,644,703</u>	<u>\$ 1,114,789</u>	<u>\$ 921,469</u>	<u>\$ 45,680,020</u>	<u>\$ 44,816,583</u>

The water utility had operating income of \$490,533 in 2015. The utility also provides services to residents of the Village of North Hudson. Utility rates have not been subject to an overall adjustment since 1996. The City has submitted a rate case application in 2016.

The sewer utility incurred an operating loss of \$375,077 in 2015 and had an overall negative change in net position of \$2,380 for the year. The utility also provides services to residents of the Village of North Hudson. The City increased its sewer user rates as of January 1, 2009 to address the operating losses in this fund.

The parking utility was established by the City to separately account for resources to be used in developing, maintaining and replacing parking lots and meters of the City.

The ambulance service fund is used to account for operations of the City's emergency medical services department (St. Croix EMS & Rescue). The City also provides EMS services to other local units of government on a contracted basis.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

GENERAL FUND BUDGETARY HIGHLIGHTS

As shown in the *Budgetary Comparison Schedule* for the general fund (in required supplementary information), the final 2015 general fund budget was modified by the City Council. The general fund balance increased during 2015 by \$766,304, which was a \$1,315,770 favorable variance from the final budget. The City ended the year with a favorable variance between actual amounts and budget amounts for both revenues and expenditures of \$364,064 (4.6%) and \$668,603 (7.5%), respectively.

The favorable revenue variance is mainly due to a workers comp insurance reimbursement and increased building permits issued.

The favorable expenditure variance is due to a number of expenditure accounts being under budget. The City's contingency/special projects was under budget by \$48,754, Police Patrol was under budget by \$168,910, Fire Department (including capital outlays) was under budget by \$51,221, Building Inspection was under budget by \$42,845, and Street Maintenance was under budget by \$81,640. These departments were under budget mainly due to full-time positions that were vacant for all or portions of the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of December 31, 2015 and 2014 was as shown below:

**Capital Assets, Net of Accumulated Depreciation
December 31, 2015 and 2014**

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Not Subject to Depreciation:						
Land and Land Rights	\$ 9,057,585	\$ 8,721,116	\$ 1,027,280	\$ 1,027,280	\$ 10,084,865	\$ 9,748,396
Construction Work in Progress	197,477	399,306	963,975	971,318	1,161,452	1,370,624
Subject to Depreciation:						
Buildings and Improvements	6,657,931	6,412,561	-	-	6,657,931	6,412,561
Land Improvements	2,745,421	2,464,414	-	-	2,745,421	2,464,414
Equipment and Vehicles	6,662,638	6,428,429	-	-	6,662,638	6,428,429
Infrastructure	83,576,630	84,017,765	-	-	83,576,630	84,017,765
Water System Plant	-	-	32,792,341	32,076,926	32,792,341	32,076,926
Sewage Treatment Plant	-	-	12,305,468	12,202,666	12,305,468	12,202,666
Parking Utility	-	-	1,058,970	1,033,788	1,058,970	1,033,788
Ambulance Service	-	-	900,638	801,698	900,638	801,698
Subtotal	108,897,682	108,443,591	49,048,672	48,113,676	157,946,354	156,557,267
Accumulated Depreciation	61,850,358	62,463,940	20,095,458	18,913,387	81,945,816	81,377,327
	<u>\$ 47,047,324</u>	<u>\$ 45,979,651</u>	<u>\$ 28,953,214</u>	<u>\$ 29,200,289</u>	<u>\$ 76,000,538</u>	<u>\$ 75,179,940</u>

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

Capital Assets (Continued)

The additions to the City's capital assets during 2015 can be summarized as follows: *(in thousands)*

- Utility Infrastructure \$1,168.9
- City Infrastructure (including stormwater) 2,934.7

Additional information related to the City's capital assets is reported in Note 3.C following the financial statements.

Long-Term Obligations

At December 31, 2015, the City had outstanding \$16,186,629 of long-term debt and other long-term obligations. A summary detail of this amount, together with the percent change from the previous year, is shown below:

**Outstanding Long-Term Obligations
December 31, 2015 and 2014**

	Governmental Activities	Business-Type Activities	Outstanding 2015	Outstanding 2014	% Change
Long-Term Debt:					
General Obligation Debt	\$ 14,073,000	\$ -	\$ 14,073,000	\$ 11,500,464	22.4
Unamortized Debt Discount	(3,728)	-	(3,728)	(4,829)	-22.8
Unamortized Debt Premium	302,537	-	302,537	188,925	60.1
Sewer Revenue Bonds	-	608,849	608,849	917,311	-33.6
Subtotal	14,371,809	608,849	14,980,658	12,601,871	18.9
Other Long-Term Obligations:					
Estimated Employee Leave	338,107	93,014	431,121	438,524	-1.7
Other Postemployment Benefit					
Liabilities	598,088	176,762	774,850	691,619	12.0
Total	<u>\$ 15,308,004</u>	<u>\$ 878,625</u>	<u>\$ 16,186,629</u>	<u>\$ 13,732,014</u>	

Under Wisconsin State Statutes, the outstanding general obligation long-term debt of a municipality may not exceed 5% of the equalized property value of all taxable property within the jurisdiction. The applicable debt of the City outstanding at December 31, 2015 totaled \$14,073,000, approximately 17% of the maximum legal limit of \$83,201,660.

The City issued \$4,713,000 of new debt in 2015, including \$713,000 of refunding general obligation debt.

Additional information related to the City's long-term debt and other postemployment benefit (OPEB) liability is reported in Note 3.E and Note 4.C, respectively, following the financial statements.

**CITY OF HUDSON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2015**

CURRENTLY KNOWN FACTS

Cash and debt management of the City includes prepayment and refinancing of debt to take advantage of reduced interest rates on general obligation notes and to utilize cash balances that are receiving minimal interest earnings.

The City continues to monitor and manage the budget, which has resulted in a strong fund balance position that allows the City to manage well under the present constraints imposed by the state levy limits.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Hudson's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the office of the Finance Officer, 505 Third Street, Hudson, Wisconsin 54016.

BASIC FINANCIAL STATEMENTS

**CITY OF HUDSON, WISCONSIN
STATEMENT OF NET POSITION
DECEMBER 31, 2015**

	Primary Government			Component Units		
	Governmental Activities	Business-Type Activities	Total	Joint Library	St Croix Business Park	Community Access Board
ASSETS						
Cash and Investments	\$ 13,683,146	\$ 13,174,383	\$ 26,857,529	\$ 344,916	\$ 929,835	\$ 926,502
Taxes Receivable	7,674,200	134,279	7,808,479	-	-	-
Special Assessments Receivable	80,584	-	80,584	-	-	-
Specials and Delinquents Held by County	9,342	-	9,342	-	-	-
Accounts Receivable	177,508	1,248,391	1,425,899	-	1,089	55,919
Due from Other Governmental Units	94,423	54,293	148,716	-	-	-
Prepayments	589,543	2,100	591,643	275	505	-
Inventories	-	29,386	29,386	-	-	-
Internal Balances	74,264	(74,264)	-	-	-	-
Restricted Assets:						
Cash and Investments	-	3,077,173	3,077,173	-	-	-
Wisconsin Retirement System Pension Plan	726,799	191,101	917,900	38,136	-	9,791
Capital Assets:						
Capital Assets Not Being Depreciated	9,255,062	1,991,255	11,246,317	-	1,785,813	-
Capital Assets Being Depreciated	99,642,620	47,057,417	146,700,037	1,114,727	108,485	145,197
Accumulated Depreciation	(61,850,358)	(20,095,458)	(81,945,816)	(208,272)	(34,449)	(88,348)
Total Assets	<u>70,157,133</u>	<u>46,790,056</u>	<u>116,947,189</u>	<u>1,289,782</u>	<u>2,791,278</u>	<u>1,049,061</u>
DEFERRED OUTFLOWS OF RESOURCES						
Wisconsin Retirement System Pension Plan Related	<u>760,272</u>	<u>199,902</u>	<u>960,174</u>	<u>39,892</u>	<u>-</u>	<u>10,241</u>
LIABILITIES						
Vouchers and Accounts Payable	483,981	358,533	842,514	26,524	32,542	759
Construction Contracts Payable	104,177	-	104,177	-	-	-
Accrued Interest Payable	119,741	2,893	122,634	-	-	-
Payroll Withholdings	81,583	-	81,583	-	-	-
Accrued Wages	56,679	21,436	78,115	5,170	-	1,028
Due to Other Governmental Units	17,211	41,603	58,814	-	-	-
Unearned Revenues	-	6,723	6,723	-	600	-
Special Deposits	170,852	-	170,852	-	-	-
Security Deposit	-	125	125	-	-	-
Noncurrent Liabilities:						
Amounts Due Within One Year	2,119,107	290,286	2,409,393	20,878	-	11,146
Amounts Due in More than One Year	13,188,897	588,339	13,777,236	29,702	-	12,228
Total Liabilities	<u>16,342,228</u>	<u>1,309,938</u>	<u>17,652,166</u>	<u>82,274</u>	<u>33,142</u>	<u>25,161</u>
DEFERRED INFLOWS OF RESOURCES						
Subsequent Year's Property Taxes	<u>7,810,211</u>	<u>-</u>	<u>7,810,211</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION						
Net Investment in Capital Assets	35,169,617	28,270,101	63,439,718	855,875	1,859,849	33,475
Restricted for:						
Debt Service	71,231	342,608	413,839	-	-	-
Asset Replacement	-	1,835,346	1,835,346	-	-	-
Capital Projects	2,080,993	-	2,080,993	-	-	-
Economic Development Loan Programs	545,077	-	545,077	-	-	-
Pension Plan	726,799	191,101	917,900	-	-	-
Other Purposes	553,915	896,326	1,450,241	391,525	898,287	1,000,666
Unrestricted	<u>7,617,334</u>	<u>14,144,538</u>	<u>21,761,872</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ 46,764,966</u>	<u>\$ 45,680,020</u>	<u>\$ 92,444,986</u>	<u>\$ 1,247,400</u>	<u>\$ 2,758,136</u>	<u>\$ 1,034,141</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF HUDSON, WISCONSIN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position					
	Expenses	Charges	Operating	Capital	Primary Government			Component Units		
		For	Grants and	Grants and	Governmental	Business-Type	Totals	Joint	St Croix	Community
		Services	Contributions	Contributions	Activities	Activities		Library	Business Park	Access Board
Primary Government:										
Governmental Activities:										
General Government	\$ 1,667,652	\$ 181,260	\$ -	\$ -	\$ (1,486,392)	\$ -	\$ (1,486,392)	\$ -	\$ -	\$ -
Public Safety	3,918,222	901,240	73,205	1,637	(2,942,140)	-	(2,942,140)	-	-	-
Public Works	4,109,936	363,145	590,927	1,309,750	(1,846,114)	-	(1,846,114)	-	-	-
Health and Social Services	10,876	5,530	-	-	(5,346)	-	(5,346)	-	-	-
Culture, Recreation and Education	1,012,047	105,327	175,712	-	(731,008)	-	(731,008)	-	-	-
Conservation and Development	693,463	-	-	-	(693,463)	-	(693,463)	-	-	-
Interest and Fiscal Charges	448,961	-	-	-	(448,961)	-	(448,961)	-	-	-
Total Governmental Activities	11,861,157	1,556,502	839,844	1,311,387	(8,153,424)	-	(8,153,424)	-	-	-
Business-Type Activities:										
Water	2,340,684	2,831,217	-	172,824	-	663,357	663,357	-	-	-
Sewage Treatment	1,865,507	1,470,015	-	390,065	-	(5,427)	(5,427)	-	-	-
Parking Facilities	135,649	172,616	152	-	-	37,119	37,119	-	-	-
Ambulance Services	1,365,303	1,461,920	2,300	-	-	98,917	98,917	-	-	-
Total Business-Type Activities	5,707,143	5,935,768	2,452	562,889	-	793,966	793,966	-	-	-
Total Primary Government	\$ 17,568,300	\$ 7,492,270	\$ 842,296	\$ 1,874,276	(8,153,424)	793,966	(7,359,458)	-	-	-
Component Units:										
Joint Library	\$ 856,418	\$ 489,147	\$ 300,900	\$ -				(66,371)		-
St Croix Business Park	40,929	-	-	-					(40,929)	-
Community Access Board	165,091	218,998	-	-				-	-	53,907
Total Component Units	\$ 1,062,438	\$ 708,145	\$ 300,900	\$ -				(66,371)	(40,929)	53,907
General Revenues:										
Taxes:										
Property Taxes, Levied for General Purposes					5,606,588	-	5,606,588	-	-	-
Property Taxes, Levied for Debt Purposes					1,784,819	-	1,784,819	-	-	-
Other Taxes					243,566	-	243,566	-	-	-
State and Federal Aids not Restricted to Specific Functions					195,382	-	195,382	-	-	-
Interest and Investment Earnings					123,764	134,611	258,375	2,825	2,346	7,431
Other Interest Revenue					124	1,851	1,975	-	-	-
Sale of Property					-	-	-	-	32,522	-
Miscellaneous					388,636	-	388,636	8,597	26,360	-
Transfers					453,862	(453,862)	-	-	-	-
Total General Revenues and Transfers					8,796,741	(317,400)	8,479,341	11,422	61,228	7,431
Change in Net Position					643,317	476,566	1,119,883	(54,949)	20,299	61,338
Net Position - Beginning of Year					44,650,285	44,816,583	89,466,868	1,225,146	-	952,983
Restatement Due to Change in Reporting Entity					-	-	-	-	2,737,837	-
Restatement Due to Change in Accounting Principle					1,471,364	386,871	1,858,235	77,203	-	19,820
Net Position - Beginning of Year - As Restated					46,121,649	45,203,454	91,325,103	1,302,349	2,737,837	972,803
Net Position - End of Year					\$ 46,764,966	\$ 45,680,020	\$ 92,444,986	\$ 1,247,400	\$ 2,758,136	\$ 1,034,141

See accompanying Notes to Basic Financial Statements.

**CITY OF HUDSON, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2015**

	Major Funds				Other Nonmajor Governmental Funds	Totals
	General Fund	Impact Fees Fund	Debt Service Fund	Capital Projects Fund		
ASSETS						
Treasurer's Cash and Investments	\$ 5,592,300	\$ 1,488,165	\$ 110,388	\$ 3,871,787	\$ 2,620,506	\$ 13,683,146
Taxes Receivable	5,521,631	-	2,121,725	30,844	-	7,674,200
Special Assessments Receivable	-	-	-	80,584	-	80,584
Specials and Delinquents Held by County	-	-	-	9,342	-	9,342
Accounts Receivable	84,902	-	-	325	92,281	177,508
Due from Other Governments	94,423	-	-	-	-	94,423
Advances to Other Funds	74,264	-	-	-	-	74,264
Prepayments	39,543	-	-	550,000	-	589,543
Total Assets	<u>\$ 11,407,063</u>	<u>\$ 1,488,165</u>	<u>\$ 2,232,113</u>	<u>\$ 4,542,882</u>	<u>\$ 2,712,787</u>	<u>\$ 22,383,010</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES						
Liabilities:						
Vouchers and Accounts Payable	\$ 187,408	\$ -	\$ -	\$ 287,592	\$ 8,981	\$ 483,981
Construction Contracts Payable	-	-	-	104,177	-	104,177
Payroll Withholdings	81,583	-	-	-	-	81,583
Accrued Wages	56,602	-	-	-	77	56,679
Due Other Governmental Units	17,211	-	-	-	-	17,211
Special Deposits	169,785	1,067	-	-	-	170,852
Total Liabilities	<u>512,589</u>	<u>1,067</u>	<u>-</u>	<u>391,769</u>	<u>9,058</u>	<u>914,483</u>
Deferred Inflows of Resources:						
Subsequent Year's Property Taxes	5,688,486	-	2,121,725	-	-	7,810,211
Unavailable Revenues - Special Assessments	-	-	-	111,428	-	111,428
Total Deferred Inflows of Resources	<u>5,688,486</u>	<u>-</u>	<u>2,121,725</u>	<u>111,428</u>	<u>-</u>	<u>7,921,639</u>
Fund Balances:						
Nonspendable	124,471	-	-	-	-	124,471
Restricted	-	1,487,098	110,388	1,776,379	1,692,887	5,066,752
Committed	-	-	-	2,263,306	1,010,842	3,274,148
Assigned	630,534	-	-	-	-	630,534
Unassigned	4,450,983	-	-	-	-	4,450,983
Total Fund Balances	<u>5,205,988</u>	<u>1,487,098</u>	<u>110,388</u>	<u>4,039,685</u>	<u>2,703,729</u>	<u>13,546,888</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 11,407,063</u>	<u>\$ 1,488,165</u>	<u>\$ 2,232,113</u>	<u>\$ 4,542,882</u>	<u>\$ 2,712,787</u>	<u>\$ 22,383,010</u>

See accompanying Notes to Basic Financial Statements.

CITY OF HUDSON, WISCONSIN
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES TO NET POSITION OF
GOVERNMENTAL ACTIVITIES
DECEMBER 31, 2015

Total Fund Balances - Governmental Funds **\$ 13,546,888**

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:

Land, Easements and Right-of-Way	\$ 9,057,585	
Construction Work in Progress	197,477	
Land Improvements	2,745,421	
Buildings and Improvements	6,657,931	
Machinery/Equipment	6,662,638	
Infrastructure	83,576,630	
Accumulated Depreciation	<u>(61,850,358)</u>	47,047,324

Some receivables, including special assessments, are reported as deferred inflows of resources in the fund financial statements but are recognized as revenue when earned in the government-wide statements 111,428

Net Wisconsin Retirement System pension plan asset and related deferred outflows and inflows of resources are recorded only on the Statement of Net Position. Balances at year-end are:

Net Pension Plan Asset	726,799	
Deferred Outflows of Resources	<u>760,272</u>	1,487,071

Some liabilities are not due and payable in the current period and therefore are not reported in the funds. These liabilities consist of:

General Obligation Debt Payable	14,073,000	
Accrued Interest on Long-Term Debt	119,741	
Employee Leave Liability	338,107	
Postemployment Benefits (OPEB) Liability	<u>598,088</u>	(15,128,936)

Debt discounts and premiums are amortized over the lives of the related debt in the statement of net position. In the governmental funds these costs are considered expenditures/other financing uses when incurred.

Unamortized Debt Premium	(302,537)	
Unamortized Debt Discount	<u>3,728</u>	<u>(298,809)</u>

Net Position of Governmental Activities **\$ 46,764,966**

CITY OF HUDSON, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2015

	Major Funds				Other Nonmajor Governmental Funds	Totals
	General Fund	Impact Fees Fund	Debt Service Fund	Capital Projects Fund		
REVENUES:						
Taxes	\$ 5,850,154	\$ -	\$ 1,784,819	\$ -	\$ -	\$ 7,634,973
Special Assessments	-	-	-	100,361	-	100,361
Intergovernmental	849,958	-	-	-	118,958	968,916
Licenses and Permits	398,667	31,507	-	-	-	430,174
Fines and Forfeits	102,810	-	-	-	-	102,810
Public Charges for Services	120,753	-	-	-	361,188	481,941
Intergovernmental Charges for Services	573,084	-	-	-	-	573,084
Miscellaneous:						
Interest	51,310	15,427	7,419	28,961	20,973	124,090
Rent	145,600	-	-	-	-	145,600
Other	237,461	-	-	-	199,372	436,833
Total Revenues	<u>8,329,797</u>	<u>46,934</u>	<u>1,792,238</u>	<u>129,322</u>	<u>700,491</u>	<u>10,998,782</u>
EXPENDITURES:						
General Government	1,941,421	-	-	-	-	1,941,421
Public Safety	3,822,836	-	-	-	17,164	3,840,000
Transportation Facilities	1,321,496	-	-	-	155,611	1,477,107
Sanitation	34,570	-	-	-	-	34,570
Health and Social Services	15,986	-	-	-	-	15,986
Culture, Recreation and Education	908,954	-	-	-	222,630	1,131,584
Conservation and Development:						
General Operations	252,033	-	-	-	-	252,033
Refunds	-	253,881	-	-	-	253,881
Capital Outlay	-	282,958	-	2,223,621	-	2,506,579
Debt Service:						
Principal Retirement	-	-	1,435,464	-	-	1,435,464
Interest and Fiscal Charges	-	-	418,502	-	-	418,502
Total Expenditures	<u>8,297,296</u>	<u>536,839</u>	<u>1,853,966</u>	<u>2,223,621</u>	<u>395,405</u>	<u>13,307,127</u>

See accompanying Notes to Basic Financial Statements.

CITY OF HUDSON, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2015

	Major Funds				Other Nonmajor Governmental Funds	Totals
	General Fund	Impact Fees Fund	Debt Service Fund	Capital Projects Fund		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 32,501</u>	<u>\$ (489,905)</u>	<u>\$ (61,728)</u>	<u>\$ (2,094,299)</u>	<u>\$ 305,086</u>	<u>\$ (2,308,345)</u>
OTHER FINANCING SOURCES (USES):						
Long-Term Debt Issued	-	-	713,000	4,000,000	-	4,713,000
Current Refunding Payments	-	-	(705,000)	-	-	(705,000)
Debt Premium	-	-	140,907	-	-	140,907
Proceeds from Sale of Property	6,346	-	-	-	-	6,346
Transfers In	779,004	-	11,860	51,547	186,471	1,028,882
Transfers Out	(51,547)	-	-	(156,471)	(367,002)	(575,020)
Total Other Financing Sources (Uses)	<u>733,803</u>	<u>-</u>	<u>160,767</u>	<u>3,895,076</u>	<u>(180,531)</u>	<u>4,609,115</u>
NET CHANGE IN FUND BALANCES	766,304	(489,905)	99,039	1,800,777	124,555	2,300,770
Fund Balances, January 1	<u>4,439,684</u>	<u>1,977,003</u>	<u>11,349</u>	<u>2,238,908</u>	<u>2,579,174</u>	<u>11,246,118</u>
FUND BALANCES, DECEMBER 31	<u><u>\$ 5,205,988</u></u>	<u><u>\$ 1,487,098</u></u>	<u><u>\$ 110,388</u></u>	<u><u>\$ 4,039,685</u></u>	<u><u>\$ 2,703,729</u></u>	<u><u>\$ 13,546,888</u></u>

See accompanying Notes to Basic Financial Statements.

CITY OF HUDSON, WISCONSIN
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2015

Net Change in Fund Balances - Total Governmental Funds **\$ 2,300,770**

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period these amounts are:

Capital Outlays Reported in Governmental Fund Statements	\$ 3,096,271	
Capital Additions Contributed	791,640	
Depreciation Expense Reported in the Statement of Activities	<u>(2,760,450)</u>	1,127,461

In the statement of activities, only the gain or loss on the sale or disposal of capital assets is reported, whereas in the governmental funds, the proceeds from sales increase financial resources. Thus, the change in net position differs from the change in fund balances by the book value of capital assets disposed of during the year.

(59,788)

Pension expenditures in the governmental funds are measured by current year employee contributions. Pension expenses on the statement of activities are measured by the change in net pension asset and related deferred outflows and inflows of resources.

15,708

Receivables not currently available are reported as deferred inflows of resources in the fund financial statements but are recognized as revenue when earned in the government-wide statements.

70,103

Long-term debt incurred in governmental funds is reported as an other financing source, but is reported as an increase in outstanding long-term debt in the statement of net position and does not affect the statement of activities. Long-term debt incurred in the current year is:

General Obligation Bonds and Notes	(4,713,000)
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Debt discounts and premiums are reported as an other financing use in governmental funds but are amortized over the lives of the related debt in the government wide statements.

(140,907)

Repayment of long-term debt and related obligations is reported as an expenditure in governmental funds but the repayment reduces long-term liabilities in the statement of net position. In the current year these amounts consist of:

General Obligation Bonds and Notes Principal Retirement	2,140,464
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Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

Net Change in Accrued Interest Payable	(56,652)	
Amortization of Debt Premium	27,294	
Amortization of Debt Discount	(1,101)	
Net Change in Accrued Employee Leave	(4,509)	
Net Change in OPEB Liability	<u>(62,526)</u>	<u>(97,494)</u>

Change in Net Position of Governmental Activities	<u>\$ 643,317</u>
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See accompanying Notes to Basic Financial Statements.

**CITY OF HUDSON, WISCONSIN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2015**

	Business-Type Activities - Enterprise Funds				
	Water Utility	Sewer Utility	Parking Utility	Ambulance Service	Totals
ASSETS					
Current Assets:					
Cash and Investments	\$ 7,285,137	\$ 5,020,705	\$ 224,041	\$ 644,500	\$ 13,174,383
Accounts Receivable:					
Customer/Patient	571,278	328,241	3,268	323,276	1,226,063
Accounts Receivable on Tax Roll	68,891	53,554	11,834	-	134,279
Allowance for Doubtful Accounts	-	-	-	(89,812)	(89,812)
Other	35,114	23,738	53,288	-	112,140
Due from Other Governmental Units	27,397	26,896	-	-	54,293
Prepayments	-	-	-	2,100	2,100
Inventories	29,386	-	-	-	29,386
Total Current Assets	8,017,203	5,453,134	292,431	880,064	14,642,832
Restricted Assets:					
Cash and Investments:					
Debt Service/Asset Replacement	-	2,180,847	-	-	2,180,847
Carmichael Impact Assessments	896,326	-	-	-	896,326
Wisconsin Retirement System Pension Plan	82,299	59,462	4,298	45,042	191,101
Total Restricted Assets	978,625	2,240,309	4,298	45,042	3,268,274
Capital Assets:					
Property and Plant in Service	32,929,203	12,435,324	1,819,532	900,638	48,084,697
Accumulated Provision for Depreciation	11,797,510	7,363,954	419,978	514,016	20,095,458
Net Utility Plant in Service	21,131,693	5,071,370	1,399,554	386,622	27,989,239
Construction Work in Progress	939,697	24,278	-	-	963,975
Total Capital Assets	22,071,390	5,095,648	1,399,554	386,622	28,953,214
Total Assets	31,067,218	12,789,091	1,696,283	1,311,728	46,864,320
DEFERRED OUTFLOWS OF RESOURCES					
Wisconsin Retirement System Pension Plan Related	86,090	62,200	4,496	47,116	199,902

See accompanying Notes to Basic Financial Statements.

CITY OF HUDSON, WISCONSIN
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
DECEMBER 31, 2015

	Business-Type Activities - Enterprise Funds				
	Water Utility	Sewer Utility	Parking Utility	Ambulance Service	Totals
LIABILITIES					
Current Liabilities:					
Vouchers and Accounts Payable	\$ 115,718	\$ 136,781	\$ 4,491	\$ 101,543	\$ 358,533
Due to Other Governmental Units	17,407	24,184	12	-	41,603
Accrued Employee Liabilities	57,538	20,585	-	14,891	93,014
Accrued Wages	8,866	7,076	554	4,940	21,436
Advances from Other Funds	-	-	-	50,307	50,307
Unearned Revenue	-	-	-	6,723	6,723
Security Deposit	-	-	125	-	125
Total Current Liabilities	199,529	188,626	5,182	178,404	571,741
Current Liabilities Payable from					
Restricted Assets:					
Accrued Interest Payable	-	2,893	-	-	2,893
Current Portion of Revenue Bonds	-	197,272	-	-	197,272
Total Current Liabilities Payable from Restricted Assets	-	200,165	-	-	200,165
Long-Term Liabilities (Less Current Portion):					
Advances from Other Funds	-	-	-	23,957	23,957
Other Postemployment Benefits Payable	86,502	48,566	-	41,694	176,762
Mortgage Revenue Bonds	-	411,577	-	-	411,577
Total Long-Term Liabilities	86,502	460,143	-	65,651	612,296
Total Liabilities	286,031	848,934	5,182	244,055	1,384,202
NET POSITION					
Net Investment in Capital Assets	22,071,390	4,486,799	1,399,554	312,358	28,270,101
Restricted for:					
Debt Service	-	342,608	-	-	342,608
Impact Assessments	896,326	-	-	-	896,326
Asset Replacement	-	1,835,346	-	-	1,835,346
Wisconsin Retirement System Pension Plan	82,299	59,462	4,298	45,042	191,101
Unrestricted	7,817,262	5,278,142	291,745	757,389	14,144,538
Total Net Position	\$ 30,867,277	\$ 12,002,357	\$ 1,695,597	\$ 1,114,789	\$ 45,680,020

See accompanying Notes to Basic Financial Statements.

CITY OF HUDSON, WISCONSIN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015

	Business-Type Activities - Enterprise Funds				
	Water Utility	Sewer Utility	Parking Utility	Ambulance Service	Totals
OPERATING REVENUES:					
Charges for Services	\$ 2,242,629	\$ 1,418,608	\$ 167,761	\$ 1,100,724	\$ 4,929,722
Intergovernmental Contracts	-	-	-	354,055	354,055
Grants and Subsidies	-	-	-	7,141	7,141
Other	588,588	51,407	4,855	-	644,850
Total Operating Revenues	2,831,217	1,470,015	172,616	1,461,920	5,935,768
OPERATING EXPENSES:					
Operation and Maintenance	1,609,452	1,468,626	88,062	1,291,821	4,457,961
Depreciation	731,232	376,466	47,587	70,303	1,225,588
Total Operating Expenses	2,340,684	1,845,092	135,649	1,362,124	5,683,549
OPERATING INCOME (LOSS)	490,533	(375,077)	36,967	99,796	252,219
NONOPERATING REVENUES (EXPENSES):					
Investment Earnings	68,062	58,256	5,074	3,219	134,611
Other Interest Income	-	1,851	-	-	1,851
Hook-up Fees	-	390,065	-	-	390,065
Donations/Other	-	-	152	2,300	2,452
Interest Expense	-	(20,415)	-	(3,179)	(23,594)
Total Nonoperating Revenues (Expenses)	68,062	429,757	5,226	2,340	505,385
INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS	558,595	54,680	42,193	102,136	757,604
CAPITAL CONTRIBUTIONS:					
Impact Fees Applied	172,824	-	-	-	172,824
TRANSFERS:					
Transfer to General Fund	(396,802)	(57,060)	-	-	(453,862)
CHANGE IN NET POSITION	334,617	(2,380)	42,193	102,136	476,566
Net Position, January 1	30,366,050	11,884,361	1,644,703	921,469	44,816,583
Change in Accounting Principle	166,610	120,376	8,701	91,184	386,871
Net Position, January 1 - Restated	30,532,660	12,004,737	1,653,404	1,012,653	45,203,454
NET POSITION, DECEMBER 31	<u>\$ 30,867,277</u>	<u>\$ 12,002,357</u>	<u>\$ 1,695,597</u>	<u>\$ 1,114,789</u>	<u>\$ 45,680,020</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF HUDSON, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015**

	Business-Type Activities-Enterprise Funds				
	Water Utility	Sewer Utility	Parking Utility	Ambulance Service	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash Received from Customers	\$ 2,003,767	\$ 1,592,294	\$ 133,836	\$ 1,111,701	\$ 4,841,598
Cash Received for Public Fire Protection	702,206	-	-	-	702,206
Cash Received (Paid) for Sewer Share of Meter Related Expense	159,817	(159,817)	-	-	-
Cash Received from Government Subsidies/ Contracts/Grants	-	14,703	-	360,778	375,481
Cash Received from Parking Forfeitures	-	-	47,922	-	47,922
Cash Paid for City/Village Surcharges	-	(60,135)	-	-	(60,135)
Cash Payments to Suppliers for Goods and Services	(747,650)	(619,940)	(225,813)	(395,350)	(1,988,753)
Cash Payments for Employee Services	(897,264)	(655,071)	(59,611)	(831,300)	(2,443,246)
Net Cash Provided by (Used for) Operating Activities	<u>1,220,876</u>	<u>112,034</u>	<u>(103,666)</u>	<u>245,829</u>	<u>1,475,073</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Cash Donations Received	-	-	-	2,300	2,300
Cash Payments of Tax Equivalent to General Fund	(396,802)	(57,060)	-	-	(453,862)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(396,802)</u>	<u>(57,060)</u>	<u>-</u>	<u>2,300</u>	<u>(451,562)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Cash Payments for Capital Assets	(722,194)	(127,080)	(25,182)	(98,940)	(973,396)
Cash Paid for Removal of Capital Assets	(5,117)	-	-	-	(5,117)
Cash Received for Hook-up Fees	-	390,065	-	-	390,065
Cash Received for Impact Fees	172,824	-	-	-	172,824
Cash Paid for Principal on Interfund Advance	-	-	-	(58,274)	(58,274)
Cash Paid for Interest on Interfund Advance	-	-	-	(3,179)	(3,179)
Principal Paid on Long-Term Debt	-	(191,804)	-	-	(191,804)
Interest Paid on Long-Term Debt	-	(18,858)	-	-	(18,858)
Net Cash Used for Capital and Related Financing Activities	<u>(554,487)</u>	<u>52,323</u>	<u>(25,182)</u>	<u>(160,393)</u>	<u>(687,739)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Earnings on Investments	<u>68,062</u>	<u>58,256</u>	<u>5,074</u>	<u>3,219</u>	<u>134,611</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	<u>337,649</u>	<u>165,553</u>	<u>(123,774)</u>	<u>90,955</u>	<u>470,383</u>
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>7,843,814</u>	<u>7,035,999</u>	<u>347,815</u>	<u>553,545</u>	<u>15,781,173</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>\$ 8,181,463</u>	<u>\$ 7,201,552</u>	<u>\$ 224,041</u>	<u>\$ 644,500</u>	<u>\$ 16,251,556</u>

See accompanying Notes to Basic Financial Statements.

**CITY OF HUDSON, WISCONSIN
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2015**

	Business-Type Activities-Enterprise Funds				
	Water Utility	Sewer Utility	Parking Utility	Ambulance Service	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:					
Operating Income (Loss)	\$ 490,533	\$ (375,077)	\$ 36,967	\$ 99,796	\$ 252,219
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Change in Pension Plan	(1,779)	(1,286)	(93)	(974)	(4,132)
Depreciation	731,232	376,466	47,587	70,303	1,225,588
(Increase) Decrease in Assets:					
Customer/Patient Accounts Receivable	30,138	61,796	3,650	10,977	106,561
Accounts Receivable on Tax Roll	10,317	9,644	-	-	19,961
Other Accounts Receivable	(20,196)	(2,428)	6,080	-	(16,544)
Due from Other Governments	2,642	5,180	-	-	7,822
Prepayments	-	-	-	(2,100)	(2,100)
Inventories	380	-	-	-	380
Increase (Decrease) in Liabilities:					
Accounts Payable	(23,476)	54,634	(194,986)	77,330	(86,498)
Special Deposits	15,381	-	-	-	15,381
Accrued Wages	(21,454)	(16,270)	(2,283)	-	(40,007)
Accrued Employee Liabilities	7,994	(3,280)	-	(9,085)	(4,371)
Unearned Revenues	(3,709)	-	(600)	(418)	(4,727)
Due to Other Governmental Units	2,873	2,655	12	-	5,540
Net Cash Provided by (Used for) Operating Activities	<u>\$ 1,220,876</u>	<u>\$ 112,034</u>	<u>\$ (103,666)</u>	<u>\$ 245,829</u>	<u>\$ 1,475,073</u>
RECONCILIATION OF CASH AND INVESTMENTS TO CASH AND CASH EQUIVALENTS:					
Cash and Investments per Statement of Net Position:					
Cash and Investments	\$ 7,285,137	\$ 5,020,705	\$ 224,041	\$ 644,500	\$ 13,174,383
Cash and Investments - Restricted	896,326	2,180,847	-	-	3,077,173
Cash and Cash Equivalents	<u>\$ 8,181,463</u>	<u>\$ 7,201,552</u>	<u>\$ 224,041</u>	<u>\$ 644,500</u>	<u>\$ 16,251,556</u>
NONCASH INVESTING, CAPITAL AND RELATED FINANCING ACTIVITIES:					
Long-Term Debt Paid Directly by Biosolids Facility:					
Principal Repaid	\$ -	\$ 116,658	\$ -	\$ -	\$ 116,658
Interest Paid	-	1,851	-	-	1,851

See accompanying Notes to Basic Financial Statements.

**CITY OF HUDSON, WISCONSIN
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2015**

	Agency Funds
ASSETS	
Cash and Investments	\$ 498,591
Taxes Receivable	<u>21,389,962</u>
Total Assets	<u><u>\$ 21,888,553</u></u>
LIABILITIES	
Accounts Payable	\$ 25,333
Due Other Governmental Units:	
State	282,396
County	6,195,541
School District	14,763,510
Technical College	<u>621,773</u>
Total Liabilities	<u><u>\$ 21,888,553</u></u>

See accompanying Notes to Basic Financial Statements.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Hudson (the "City") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the City are described below:

A. Reporting Entity

The City of Hudson is a Wisconsin municipal corporation incorporated under the State of Wisconsin statutes. The City is governed by a mayor/council form of government. The council consists of six members elected from six wards within the City. The financial reporting of the City is defined by the GASB to consist of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that the exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A blended component unit, although a legally separate entity, is, in substance, considered part of the government's operations and is included within the financial statements of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Change in Reporting Entity – Discretely Presented Component Unit – St. Croix Business Park. Effective November 1996, the City became fiscal agent for the St. Croix Business Park Corporation (Business Park). The Business Park is a nonprofit corporation established for the purpose of owning and developing industrial property in the City of Hudson. It has no members and is governed by a three member board of directors. Originally, the City was jointly involved in the Business Park with Xcel Energy (formerly Northern States Power Company), in which the City reported the Business Park as a related entity. In February 2015, Xcel Energy abandoned its interest in the Business Park. The City now appoints two of the three directors and the third director is then appointed by the other two directors. The directors will serve an indefinite term or until replaced by their appointing body. Starting in 2015, the City reports the Business Park activity as a discretely presented component unit.

Discretely Presented Component Unit – Joint Library. During 2003 the City, through a joint library contractual agreement with the Village of North Hudson and the Town of Hudson, created the Hudson Area Joint Library (Joint Library). In 2008, the agreement was updated to also include the Town of St. Joseph. The Joint Library is governed by an eight member board with three members representing the City, two members representing the Town of Hudson, one member representing the Town of St. Joseph, one member representing the Village, and one member representing the school district. The City appoints the City representatives. The City has transferred ownership of its library and collection to the joint library board; however, if the joint library is dissolved without a successor organization, ownership of its property reverts back to the City. The City is to act as the fiscal agent for the joint library, with all disbursements subject to approval of the joint library board.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (Continued)

Discretely Presented Component Unit – Joint Library (Continued). Employees of the joint library are employees of the City of Hudson and reported under the City's federal and state employer identification numbers.

Discretely Presented Component Unit – Community Access Board. In 1981, the City along with the Village of North Hudson, established the City of Hudson – Village of North Hudson Cable Communications Board, later renamed the Hudson/North Hudson Community Access Board, to jointly enforce a single non-exclusive cable communications franchise for the City and the Village. The Board is governed by a seven-member board with three members representing the City, three representing the Village, and one representing the School District of Hudson Board of Education. The City of Hudson is deemed to be the fiscal agent of the Board. Employees of the Board are employees of the City of Hudson and are reported under the City's federal and state employer identification numbers.

Other Entity - Hudson Housing Authority. The City is responsible for the appointment of the board members of the Hudson Housing Authority (Housing Authority). The City, however, cannot, without cause, remove appointed members prior to completion of their five-year term. The City receives no funding from, nor provides any funding to, the Housing Authority. The City is not considered to be financially accountable for the Housing Authority and, accordingly, the Housing Authority is not considered to be a component unit of the City.

B. Government-Wide and Fund Financial Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds) as described below:

Government-Wide Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report financial information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The joint library and St Croix Business Park component units are considered to be major component units, while the community access board is not considered to be major.

CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

Government-Wide Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable to a specific function or segment. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position, fund balance, revenues, and expenditures/expenses.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

General Fund – The General Fund is the operating fund of the City. It is used to account for all financial resources of the City, except those required to be accounted for in another fund.

Impact Fees Fund – The Impact Fees Fund, a special revenue fund, is used to account for impact fees collected by the City. The City adopted an ordinance in accordance with Section 66.0617 of the Wisconsin Statutes to impose impact fees on new development to help pay for costs necessary because of land development. Identified costs to be funded by the impact fee consist of storm sewers and sanitary sewers.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs of governmental funds.

Capital Projects Fund – The Capital Projects Fund is used to account for various governmental infrastructure outlay projects of the City in which the time of construction normally exceeds more than one accounting period and often are funded with proceeds of long-term debt.

All remaining governmental funds are aggregated and reported as nonmajor funds.

CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

Fund Financial Statements (Continued)

The City reports the following major enterprise funds:

Water Utility – The Water Utility Fund is used to account for the operations of the City's water utility. Utility operations are subject to regulation by the Wisconsin Public Service Commission.

Sewer Utility – The Sewer Utility Fund is used to account for the operations of the City's wastewater treatment facilities.

Parking Utility – The Parking Utility Fund is used to account for activities relating to the City's parking meters and parking lots.

Ambulance Service – The Ambulance Service Fund is used to account operations of the City's ambulance service.

The City had no other enterprise funds to report as nonmajor funds.

Additionally, the City reports the following fiduciary fund:

Tax Agency Fund – The Tax Agency Fund is used to record the tax roll, including related collections and disbursements of such, for the City and underlying taxing jurisdictions within the City.

C. Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets, deferred outflows, liabilities, and deferred inflows resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Nonexchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements and donations. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Agency funds do not have a measurement focus.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are deemed to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City generally considers revenues reported in the governmental funds to be available if they are collected within sixty days after the end of the current fiscal period. State and federal aids under cost reimbursement programs are generally recognized when earned if expected to be collected in the subsequent year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, miscellaneous taxes, public charges for services and interest associated with the current fiscal period are all considered to be susceptible to accrual. Special assessments are generally recognized as revenue in the governmental funds in the year they are due or when collected, if prior to their due date. All other revenue items are generally considered to be measurable and available only when cash is received by the government.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in financial statements and accompanying notes. Actual results could differ from those estimates.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity

1. Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from date of acquisition. Cash and investment balances for individual funds are pooled unless maintained in segregated accounts.

Investment of City funds is restricted by state statutes. The City has adopted a policy compliant with, but even more restrictive, than state statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. Bonds or securities issued or guaranteed by the federal government.
- c. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state.
- d. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- e. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- f. Bonds or securities issued under the authority of the municipality.
- g. The local government investment pool.
- h. Repurchase agreements with public depositories, with certain conditions.

Additional restrictions may arise from local charters, ordinances, resolutions and grant resolutions.

Investment of most trust funds is regulated by Chapter 881 of the Wisconsin Statutes. Investment of library trust funds is regulated by Chapter 112. Those sections give broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

Investments of the City are stated at fair value.

CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

2. Receivables and Payables

Property Taxes. Property taxes are levied prior to the end of the calendar year and are due and collectible in the following year. Property taxes attach an enforceable lien as of January 1. The resulting tax roll is recorded as receivable by the City at year end with amounts due other governmental units recorded as liabilities in the agency fund. Since City property taxes are not considered available until January 1 of the year following the levy, they are recorded as deferred inflows of resources in the funds budgeted therefore.

Real property taxes are payable in full on or before January 31 or, alternatively, if over \$100, can be paid in two equal installments with the first installment payable on or before January 31 and the second installment payable on or before July 31. Personal property taxes and special assessments, special charges (including delinquent utility billings) and special taxes placed on the tax roll are payable in full on or before January 31. All uncollected items on the current tax roll, except delinquent personal property taxes, are turned over to the St. Croix County Treasurer for collection in February. St. Croix County subsequently settles in full with the City in August of the same year, except for uncollected delinquent special assessments and special charges. Delinquent personal property taxes are retained by the City for collection. A portion of the general fund balance is nonspendable for the City's investment in delinquent taxes.

Special Assessments. Assessments against property owners for public improvements are generally not subject to full settlement in the year levied. City policy requires payment if \$500 or less, in which most fall into this range. Unavailable special assessments are placed on tax rolls on an installment basis. Revenue from special assessments recorded in governmental funds is recognized as collections are made or as current installments are placed on tax rolls. (Installments placed on the 2015 tax roll are recognized as revenue in 2016.) Special assessments recorded in proprietary funds are recorded as revenue at the time the assessments are subject to collection procedures.

Accounts Receivable. Accounts receivable in the ambulance service and parking utility enterprise funds are offset by an allowance for uncollectible amounts. Accounts receivable in the General Fund for municipal court citations are also offset by an allowance for uncollectible amounts. All other accounts receivable are considered to be collectible in full.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

2. Receivables and Payables (Continued)

Loans Receivable. The City has received federal and state grant funds for economic development loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed. It is the City's policy to record deferred inflows of resources equal to the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as restricted fund balance in the fund financial statements.

Interfund Balances. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statement as "internal balances". Advances between funds, as reported in the fund financial statements, are classified as nonspendable fund balance account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Inventories and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds, if material, are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

2. Receivables and Payables (Continued)

Loans Receivable. The City has received federal and state grant funds for economic development loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed. It is the City's policy to record deferred inflows of resources equal to the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as restricted fund balance in the fund financial statements.

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**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

7. Deferred Inflows of Resources

The City's governmental activities and governmental fund financial statements report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position or fund equity that applies to a future period. The City will not recognize the related revenue until a future event occurs. The City has two types of items which occur related to revenue recognition. The first occurs because property tax receivables are recorded in the current year, but the revenue will be recorded in the subsequent year. The second type of deferred inflow of resources occurs because governmental fund revenues are not recognized until available (collected not later than 60 days after the end of the City's year) under the modified accrual basis of accounting. The City does not have deferred inflows of resources to report in its proprietary fund financial statements in the current year.

8. Compensated Absences

It is the City's policy to permit employees to accumulate paid leave benefits. Liabilities for accumulated employee leave benefits are not accrued in the City's governmental fund financial statements but are recorded as expenditures when paid. Such liabilities are accrued in the government-wide and proprietary fund financial statements when earned. The City's policies and estimated liabilities at year end are further discussed in Note 4.B.

9. Other Postemployment Benefits Payable

The City provides certain contributions toward postemployment health care benefits. The City funds the liability on a pay-as-you-go basis. The liability was actuarially determined in accordance with GASB 45.

10. Wisconsin Retirement System Pension Plan Benefits

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

11. Long-Term Obligations/Conduit Debt

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities or proprietary fund type statement of net position. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

The City had approved the issuance of industrial revenue bonds (IRB's) for the benefit of private business enterprises in prior years. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the City. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The City had IRB's outstanding at December 31, 2015 for the Hudson Hockey Association totaling \$1,061,408.

12. Defining Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water utility, sewer utility, ambulance service, and parking funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

13. Use of Restricted Resources

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Equity (Continued)

14. Equity Classifications

Fund equity, representing the difference between assets and deferred outflows of resources, less liabilities, and deferred inflows of resources, is classified as follows in the City's financial statements:

Government-Wide and Proprietary Fund Statements. Fund equity is classified as net position in the government-wide and proprietary fund financial statements and is displayed in three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement for those assets. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors or laws or regulations of other governments. All other net position is displayed as unrestricted.

Fund Financial Statements. In the fund financial statements, governmental funds report components of fund balance to provide information about fund balance availability for appropriation. Nonspendable fund balance represents amounts that are inherently nonspendable or assets that are legally or contractually required to be maintained intact. Restricted fund balance represents amounts available for appropriation but intended for a specific use and is legally restricted by outside parties. Committed fund balance represents constraints on spending that the government imposes upon itself by high-level formal action prior to the close of the fiscal period. Assigned fund balance represents resources intended for spending for a purpose set by the government body itself or by some person or body delegated to exercise such authority in accordance with policy established by the Council. Unassigned fund balance is the residual classification for the City's general fund and includes all spendable amounts not contained in the other classifications. The City has established a policy that the general fund minimum unassigned fund balance should be between 22.5 and 27.5 percent of general fund expenditures.

Committed fund balance is required to be established, modified, or rescinded by resolution of the City Council prior to each year end. Based on resolution of the City Council, the City Administrator has the authority to establish or modify assigned fund balance. When restricted and unrestricted fund balance is available for expenditure, it is the City's practice to first use restricted fund balance. When committed, assigned, and unassigned fund balance is available for expenditure, it is the City's practice to use committed, assigned and finally unassigned fund balance.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 2 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Due to the differences in the measurement focus and basis of accounting used in governmental fund financial statements and the government-wide financial statements, certain financial transactions are treated differently. Reconciliations of governmental fund balances and changes thereto to the net position and revenues/expenses shown in government-wide financial statements are presented in page 21 and page 24, respectively.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The City's cash and investments balances at December 31, 2015 are shown in the financial statements as follows:

Governmental Funds	\$ 13,683,146
Proprietary Funds	16,251,556
Fiduciary Funds	498,591
	<u>\$ 30,433,293</u>

The above cash and investment balances consisted of the following:

Deposits in Financial Institutions	\$ 11,474,237
Deposits in State Local Government Pooled-Investment Fund	1,295,791
Investments in Federal Agency Issuances	16,189,368
Investments in Money Market Account	3,673,800
Petty Cash	1,350
Total Cash and Investments	<u>32,634,546</u>
Less Amount Allocated to Component Units	<u>(2,201,253)</u>
	<u>\$ 30,433,293</u>

Deposits at Financial Institutions

The City's balances at individual financial institutions were subject to coverage under federal depository insurance and amounts appropriated by Sections 20.144(1)(a) and 34.08 of the Wisconsin Statutes (State Guarantee Fund). Federal depository insurance provides for coverage of up to \$250,000 for time and savings deposits and up to an additional \$250,000 for demand accounts. In addition, funds held for others (such as trust funds) are subject to coverage under the name of the party for whom the funds are held. Coverage under the State Guarantee Fund may not exceed \$400,000 above the amount of coverage under federal depository insurance at any institution and is limited by the availability of the appropriations authorized therein. (Due to the relatively small size of the State Guarantee Fund in relation to the total coverage, total recovery of losses may not be available.) Also, Section 34.07 of the Wisconsin Statutes authorizes the City to collateralize its deposits that exceed the amount of coverage provided by federal depository insurance and the State Guarantee Fund.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Deposits at Financial Institutions (Continued)

Custodial credit risk for deposits is the risk that, in the event of bank failure, the City's deposits may not be returned. At December 31, 2015, the City's deposits were not exposed to significant custodial credit risk.

Investments

The City's investments at December 31, 2015 consisted of deposits in the State of Wisconsin Local Government Investment Pool (an external investment pool), U.S. government agencies and instrumentalities obligations, and a money market fund associated with its investments in federal securities.

Deposits in State Local Government Pooled-Investment Fund. The State of Wisconsin offers a Local Government Investment Pool (LGIP) to local government units to enable them to voluntarily invest idle funds in State Investment Fund. Local funds are pooled with state funds and invested by the State Investment Board. There is no minimum or maximum amount that can be invested by a local governmental unit. Interest is earned on a daily basis and withdrawals are generally available on the day of request. Deposits in the LGIP are not covered by federal depository insurance but are subject to coverage under the State Guarantee Fund. Also, the State of Wisconsin Investment Board has obtained a surety bond to protect deposits in the LGIP against defaults in principal payments on the LGIP's investments (subject to certain limitations). The average monthly weighted average maturity of the State Investment Fund's investments for 2015 was 92 days.

U.S. Government Agencies and Instrumentalities Obligations. The City's investments in these obligations at December 31, 2015 are summarized as follows:

Description	Totals	Investment Maturities (in years)			S & P Rating
		<1	1 to 5	5 to 10	
Debt Instruments:					
FNMA	\$ 1,007,485	\$ -	\$ 1,007,485	\$ -	AA+/AAA
FHLMC	8,413,926	607,378	5,562,540	2,244,008	AA+/AAA
FHLB	3,535,607	249,877	998,127	2,287,603	AA+/AAA
FFCB	2,295,190	-	998,033	1,297,157	AA+/AAA
Loan/mortgage pools -					
GNMA	4,784	-	-	4,784	Not Applicable
Municipal Bonds and Notes	932,376	399,993	532,383	-	AA-/AA
	<u>\$ 16,189,368</u>	<u>\$ 1,257,248</u>	<u>\$ 9,098,568</u>	<u>\$ 5,833,552</u>	

The above obligations may be subject to call prior to the stated maturity date. It is the City's general policy to hold the obligations until maturity or call. Obligations of the GNMA are directly guaranteed by the federal government. The other listed obligations are guaranteed by the issuing agency/instrumentality.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Investments (Continued)

U.S. Government Agencies and Instrumentalities Obligations (Continued). Credit risk for investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the holder of the investment. The City's investment policy, which is more restrictive than provisions of the Wisconsin Statutes, is previously discussed in Note 1.D.1. The City has no formal policy relating to custodial credit risk.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Generally, the fair values of investments with maturity dates further into the future are more sensitive to changes in market interest rates. The short weighted average maturity of the investments in the LGIP mitigates this risk to the City somewhat; however, as shown in the maturity tables above, some interest rate risk exists within the City's investments.

B. Receivables/Deferred Inflows of Resources

1. Other Receivables

Other accounts receivable at December 31, 2015 are further detailed as follows:

	General Fund	Capital Projects Fund	Other Governmental Funds	Enterprise Funds	Totals
Special Assessments	\$ -	\$ 89,926	\$ -	\$ -	\$ 89,926
Accounts Receivable:					
General	84,902	325	92,281	112,140	289,648
Customers:					
Water	-	-	-	571,278	571,278
Sewer	-	-	-	328,241	328,241
Parking	-	-	-	3,268	3,268
Ambulance (net)	-	-	-	233,464	233,464
	<u>84,902</u>	<u>325</u>	<u>92,281</u>	<u>1,248,391</u>	<u>1,425,899</u>
Due From Other Governments	<u>94,423</u>	<u>-</u>	<u>-</u>	<u>54,293</u>	<u>148,716</u>
Totals	<u>\$ 179,325</u>	<u>\$ 90,251</u>	<u>\$ 92,281</u>	<u>\$ 1,302,684</u>	<u>\$ 1,664,541</u>

Accounts receivable of the ambulance service and parking utility enterprise funds are reported net of an allowance for uncollectible accounts. Such allowance totaled \$89,812 in the ambulance service fund at December 31, 2015, while the receivable of \$55,916 in the parking utility fund was offset by an allowance of \$52,648 at December 31, 2015. Accounts receivable in the general fund for municipal court citations are also reported net of an allowance for uncollectible accounts, which the receivable of \$142,131 was offset by an allowance of \$117,088 at December 31, 2015. Long-term receivables related to economic development loans and advances to the Biosolids Facility are further discussed in Note 3.E and 4.D, respectively.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Receivables/Deferred Inflows of Resources (Continued)

2. Deferred Inflows of Resources

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes receivable for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred inflows of resources and unearned revenue reported in the governmental funds are shown as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
2015 Tax Roll Items:			
Property Taxes	\$ -	\$ 7,810,211	\$ 7,810,211
Special Assessments	30,844	-	30,844
Special Assessments - Future Years	<u>80,584</u>	<u>-</u>	<u>80,584</u>
Total Unavailable/Unearned Revenue for Governmental Funds	<u>\$ 111,428</u>	<u>\$ 7,810,211</u>	<u>\$ 7,921,639</u>

CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets

Capital assets activity for the year ended December 31, 2015 is shown below:

Governmental Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land, Easements and Right-of-Way	\$ 8,721,116	\$ 336,469	\$ -	\$ 9,057,585
Construction Work in Progress	399,306	1,926,532	2,128,361	197,477
Total Capital Assets Not Being Depreciated	9,120,422	2,263,001	2,128,361	9,255,062
Capital Assets Being Depreciated:				
Land Improvements	2,464,414	281,007	-	2,745,421
Buildings and Improvements	6,412,561	245,370	-	6,657,931
Machinery and Equipment	2,924,729	118,572	6,200	3,037,101
Licensed Vehicles	3,503,700	173,658	51,821	3,625,537
Infrastructure	84,017,765	2,934,664	3,375,799	83,576,630
Total Capital Assets Being Depreciated	99,323,169	3,753,271	3,433,820	99,642,620
Total Capital Assets	108,443,591	6,016,272	5,562,181	108,897,682
Accumulated Depreciation:				
Land Improvements	1,624,102	100,743	-	1,724,845
Buildings and Improvements	1,982,480	145,676	-	2,128,156
Machinery and Equipment	1,492,249	213,349	5,270	1,700,328
Licensed Vehicles	2,968,246	176,424	43,601	3,101,069
Infrastructure	54,396,863	2,124,258	3,325,161	53,195,960
Total Accumulated Depreciation	62,463,940	2,760,450	3,374,032	61,850,358
Net Capital Assets - Governmental Activities	\$ 45,979,651	\$ 3,255,822	\$ 2,188,149	\$ 47,047,324

Depreciation was charged to governmental functions as follows:

General Government	\$ 101,904
Public Safety	191,976
Transportation	2,308,243
Sanitation	449
Culture, Recreation and Education	157,717
Conservation and Development	161
	<u>\$ 2,760,450</u>

CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Business-Type Activities

	Beginning Balance	Increases	Decreases	Ending Balance
Water Utility:				
Capital Assets Not Being Depreciated:				
Land and Land Rights	\$ 136,862	\$ -	\$ -	\$ 136,862
Construction in Progress	971,318	228,466	260,087	939,697
Total Capital Assets Not Being Depreciated	1,108,180	228,466	260,087	1,076,559
Capital Assets Being Depreciated:				
Source of Supply	1,342,566	-	-	1,342,566
Pumping Plant	2,242,884	-	-	2,242,884
Water Treatment	4,785,214	260,728	-	5,045,942
Transmission and Distribution	22,744,149	493,087	38,400	23,198,836
General Assets	962,113	-	-	962,113
Total Capital Assets Being Depreciated	32,076,926	753,815	38,400	32,792,341
Total Capital Assets	33,185,106	982,281	298,487	33,868,900
Accumulated Depreciation:				
Source of Supply	555,911	34,160	-	590,071
Pumping Plant	1,670,687	88,565	-	1,759,252
Water Treatment	2,032,065	161,395	-	2,193,460
Transmission and Distribution	5,922,950	427,436	43,517	6,306,869
General Assets	928,182	19,676	-	947,858
Total Accumulated Depreciation	11,109,795	731,232	43,517	11,797,510
Net Capital Assets - Water Utility	22,075,311	251,049	254,970	22,071,390
Sewer Utility:				
Capital Assets Not Being Depreciated:				
Land	\$ 129,856	\$ -	\$ -	\$ 129,856
Construction in Progress	-	24,278	-	24,278
Total Capital Assets Not Being Depreciated	129,856	24,278	-	154,134
Capital Assets Being Depreciated:				
Collection System	680,920	-	-	680,920
Pumping System	12,400	-	-	12,400
Treatment and Disposal Plant	10,669,997	102,802	-	10,772,799
General Plant	839,349	-	-	839,349
Total Capital Assets Being Depreciated	12,202,666	102,802	-	12,305,468
Total Capital Assets	12,332,522	127,080	-	12,459,602
Accumulated Depreciation:				
Collection System	217,428	7,677	-	225,105
Pumping System	12,400	-	-	12,400
Treatment and Disposal Plant	6,261,367	334,369	-	6,595,736
General Plant	496,293	34,420	-	530,713
Total Accumulated Depreciation	6,987,488	376,466	-	7,363,954
Net Capital Assets - Sewer Utility	5,345,034	(249,386)	-	5,095,648

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Capital Assets (Continued)

Business-Type Activities (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Parking Utility:				
Capital Assets Not Being Depreciated:				
Parking Lots	\$ 760,562	\$ -	\$ -	\$ 760,562
Capital Assets Being Depreciated:				
Improvements to Lots	974,909	16,782	-	991,691
Equipment	58,879	8,400	-	67,279
Total Capital Assets Being Depreciated	1,033,788	25,182	-	1,058,970
Total Capital Assets	1,794,350	25,182	-	1,819,532
Accumulated Depreciation:				
Improvements to Lots	320,906	42,719	-	363,625
Equipment	51,485	4,868	-	56,353
Total Accumulated Depreciation	372,391	47,587	-	419,978
Net Capital Assets - Parking Utility	1,421,959	(22,405)	-	1,399,554
Ambulance Service:				
Capital Assets Being Depreciated:				
Vehicles	594,496	-	-	594,496
Other Equipment	207,202	98,940	-	306,142
Total Capital Assets	801,698	98,940	-	900,638
Total Accumulated Depreciation	443,713	70,303	-	514,016
Net Capital Assets - Ambulance Service	357,985	28,637	-	386,622
Totals - Business-Type Activities:				
Capital Assets Not Being Depreciated	1,998,598	252,744	260,087	1,991,255
Capital Assets Being Depreciated	46,115,078	980,739	38,400	47,057,417
Total Capital Assets	48,113,676	1,233,483	298,487	49,048,672
Less Accumulated Depreciation	18,913,387	1,225,588	43,517	20,095,458
Net Capital Assets - Business-Type Activities	\$ 29,200,289	\$ 7,895	\$ 254,970	\$ 28,953,214

Depreciation was charged to the following business-type activities:

Water	\$ 731,232
Sewer	376,466
Parking	47,587
Ambulance	70,303
	<u>\$ 1,225,588</u>

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Interfund Receivables, Payables and Transfers

Advances to/from Other Funds

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Ambulance Service Fund	\$ 74,264	Financing for purchase of ambulance(s)

On July 18, 2011, the City Council approved advancing \$135,000 from the general fund to the ambulance service fund to finance the purchase of a new ambulance. The advance is to be repaid in monthly installments of \$2,426 from September 2011 through August 2016 at 3.00% interest. On September 4, 2012, the City Council approved advancing \$150,000 from the general fund to the ambulance service fund to finance the purchase of another new ambulance. The advance is to be repaid in monthly installments of \$2,695 from October 2012 through September 2017 at 3.00% interest. During 2015, the ambulance paid the general fund combined principal of \$58,274 on these loans.

Interfund Transfers

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>	<u>Purpose</u>
Storm Fund	General Fund	\$ 325,142	Project closeout
Capital Projects Fund	Storm Fund	150,000	Share of project costs
Capital Projects Fund	Storm Water Fund	6,471	Share of project costs
Parks Dedication Fund	Storm Fund	30,000	Share of project costs
Storm Water Fund	Debt Service Fund	11,860	Portion of debt requirements
General Fund	Capital Projects Fund	51,547	City share of capital purchase
Water Utility Fund	General Fund	396,802	Property tax equivalent
Sewer Utility Fund	General Fund	57,060	Property tax equivalent
		<u>\$ 1,028,882</u>	

CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations

Changes in Long-Term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2015:

	Balance 1/1/15	Additions	Reductions	Balance 12/31/15	Amounts Due Within One Year
Long-Term Debt:					
Governmental Activities:					
General Obligation Bonds	\$ 3,260,000	\$ 2,115,000	\$ 125,000	\$ 5,250,000	\$ 210,000
General Obligation Notes	8,240,464	2,598,000	2,015,464	8,823,000	1,571,000
Unamortized Debt Premium	188,925	140,906	27,294	302,537	-
Unamortized Debt Discount	(4,829)	-	(1,101)	(3,728)	-
	<u>11,684,560</u>	<u>4,853,906</u>	<u>2,166,657</u>	<u>14,371,809</u>	<u>1,781,000</u>
Business-Type Activities:					
Mortgage Revenue Bonds:					
Sewer Utility	<u>917,311</u>	<u>-</u>	<u>308,462</u>	<u>608,849</u>	<u>197,272</u>
Total Long-Term Debt	<u><u>\$ 12,601,871</u></u>	<u><u>\$ 4,853,906</u></u>	<u><u>\$ 2,475,119</u></u>	<u><u>\$ 14,980,658</u></u>	<u><u>\$ 1,978,272</u></u>
Other Long-Term Obligations:					
Governmental Activities:					
Employee Leave Liability	\$ 333,598	\$ 338,107	\$ 333,598	\$ 338,107	\$ 338,107
Other Postemployment Benefits Payable	<u>535,562</u>	<u>135,631</u>	<u>73,105</u>	<u>598,088</u>	<u>-</u>
	<u>869,160</u>	<u>473,738</u>	<u>406,703</u>	<u>936,195</u>	<u>338,107</u>
Business-Type Activities:					
Employee Leave Liability	104,926	93,014	104,926	93,014	93,014
Other Postemployment Benefits Payable	<u>156,057</u>	<u>44,912</u>	<u>24,207</u>	<u>176,762</u>	<u>-</u>
	<u>260,983</u>	<u>137,926</u>	<u>129,133</u>	<u>269,776</u>	<u>93,014</u>
Total Other Long-Term Obligations	<u><u>\$ 1,130,143</u></u>	<u><u>\$ 611,664</u></u>	<u><u>\$ 535,836</u></u>	<u><u>\$ 1,205,971</u></u>	<u><u>\$ 431,121</u></u>

The City's estimated liabilities for employee vacation and sick leave and for post-employment benefits are discussed in Notes 4.B and 4.C, respectively.

CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

General Obligation Debt

Annual Requirements for Retirement. Individual general obligation long-term debt issued outstanding at December 31, 2015 and annual requirements for their retirement as of that date are shown below:

		Outstanding	Scheduled Future Payments							
		12/31/15	2016	2017	2018	2019	2020	2021-2025	2026-2030	2031- 2035
Bond Issues:										
\$2,115,000 Series 2015A, dated 6/9/15, due 4/1/35, interest at 3.00 to 3.50%	Principal (10/1)	\$ 2,115,000	\$ 80,000	\$ 80,000	\$ 80,000	\$ 85,000	\$ 85,000	\$ 485,000	\$ 565,000	\$ 655,000
	Interest (4/1, 10/1)	800,958	86,835	63,830	61,430	59,030	56,480	242,200	163,750	67,403
\$3,490,000 Series 2013A, dated 10/9/13, due 10/1/33, interest at 3.00 to 4.00%	Principal (10/1)	3,135,000	130,000	135,000	140,000	145,000	145,000	800,000	960,000	680,000
	Interest (4/1, 10/1)	1,217,106	111,070	107,170	103,120	98,920	94,570	402,950	244,306	55,000
Promissory Note Issues:										
\$1,885,000 Series 2015B, dated 6/9/15, due 4/1/25, interest at 1.50 to 3.00%	Principal (10/1)	1,885,000	215,000	170,000	170,000	175,000	180,000	975,000	-	-
	Interest (4/1, 10/1)	290,154	58,649	41,508	38,958	35,558	32,058	83,423	-	-
\$713,000 Series 2015C, dated 9/8/15, due 6/1/18, interest at 1.544%	Principal (6/1)	713,000	241,000	238,000	234,000	-	-	-	-	-
	Interest (6/1)	18,943	8,042	7,288	3,613	-	-	-	-	-
\$2,860,000 Series 2013B, dated 10/9/13, due 10/1/23, interest at 2.00 to 2.750%	Principal (10/1)	1,845,000	450,000	185,000	190,000	195,000	195,000	630,000	-	-
	Interest (4/1, 10/1)	181,352	41,190	32,190	28,490	24,690	20,790	34,002	-	-
\$3,530,000 dated 5/25/11, due 5/1/21 interest at 1.00 to 3.00%	Principal (11/1)	2,185,000	340,000	320,000	360,000	365,000	390,000	410,000	-	-
	Interest (5/1, 11/1)	206,670	54,850	48,390	41,350	32,710	23,220	6,150	-	-
\$3,200,000 dated 7/21/09, due 6/1/19 interest at 3.00 to 3.70%	Principal (12/1)	2,195,000	325,000	630,000	630,000	610,000	-	-	-	-
	Interest (6/1, 12/1)	201,565	78,360	66,985	44,935	11,285	-	-	-	-
Total Future Requirements:										
Principal		14,073,000	1,781,000	1,758,000	1,804,000	1,575,000	995,000	3,300,000	1,525,000	1,335,000
Interest		2,916,748	438,996	367,361	321,896	262,193	227,118	768,725	408,056	122,403
Totals		\$ 16,989,748	\$ 2,219,996	\$ 2,125,361	\$ 2,125,896	\$ 1,837,193	\$ 1,222,118	\$ 4,068,725	\$ 1,933,056	\$ 1,457,403

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

General Obligation Debt (Continued)

General Obligation Debt Limitation. Section 67.03 of the Wisconsin Statutes provides that the amount of indebtedness of a municipality shall not exceed 5% of the equalized valuation of the taxable property in the municipality. The City's legal debt limit and unused borrowing capacity at December 31, 2015 were computed as follows:

Equalized Valuation (Certified August 2015)	<u>\$ 1,664,033,200</u>
Legal Debt Capacity (5% of Equalized Value)	\$ 83,201,660
Total General Obligation Debt Subject to Limitation	<u>14,073,000</u>
Unused Borrowing Capacity at 12/31/2015	<u>\$ 69,128,660</u>

Current Year Borrowing

On June 9, 2015, the City issued Series 2015A General Obligation Corporate Purpose Bonds in the amount of \$2,115,000. The bonds bear interest at 3.00 to 3.50 percent and mature April 1, 2035. The bonds were used to finance street projects and the purchase of a new fire truck.

On June 9, 2015, the City issued Series 2015B General Obligation Promissory Notes in the amount of \$1,885,000. The notes bear interest at 1.50 to 3.00 percent and mature April 1, 2025. The notes will be used to finance various 2015 and 2016 capital expenditures.

On September 8, 2015, the City issued Series 2015C General Obligation Promissory Notes in the amount of \$713,000. The notes bear interest at 1.544 percent and mature June 1, 2018. The notes were used for the current refunding of Series 2008A Notes. This refunding transaction resulted in an economic gain of \$18,094 and future debt service savings of \$22,307.

Subsequent Year Borrowing

On April 12, 2016, the City issued Series 2016A General Obligation Street Improvement Bonds in the amount of \$3,110,000. The bonds bear interest at 2.00 to 3.00 percent and mature April 1, 2036. The bonds will be used to finance the Vine Street reconstruction project, including water, sewer, storm, and street upgrades.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

Mortgage Revenue Bonds

Repayment Requirements. Outstanding mortgage revenue bonds totaled \$608,849 at December 31, 2015. The City's full faith and credit do not back the mortgage revenue bonds which are instead backed only by the assets and revenues of the issuing enterprise funds. Outstanding mortgage revenue bonds at December 31, 2015 and annual requirements for their retirement at that date are shown below:

	<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Sewer Utility:				
Revenue Bonds dated 10/28/98,	2016	\$ 197,272	\$ 14,546	\$ 211,818
\$4,482,500 authorized, \$4,109,172	2017	202,896	8,842	211,738
issued through 12/31/00, due	2018	208,681	2,975	211,656
5/1/18, interest at 2.851% (Clean		<u>\$ 608,849</u>	<u>\$ 26,363</u>	<u>\$ 635,212</u>
Water Fund loan - treatment plant)				
 Total Mortgage Revenue Bonds		<u>\$ 608,849</u>	<u>\$ 26,363</u>	<u>\$ 635,212</u>

The City authorized the issuance of \$1,682,740 of revenue bonds in 1995 to provide funding for its share of costs associated with the construction of the West Central Wisconsin Biosolids Facility (hereafter Facility). These funds were paid directly to the Facility to fund construction costs. Principal is payable annually on May 1 through the year 2015 and interest is payable semiannually on May 1 and November 1 at an annual rate of 3.173%. Principal and interest installments are paid directly by the Facility. The final principal payment was made in 2015.

CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Long-Term Obligations (Continued)

Mortgage Revenue Bonds (Continued)

Bond Ordinance Requirements. The City resolutions authorizing the 1998 sewer mortgage revenue bond issues require the segregation of sewer utility enterprise fund revenues into the following separate accounts:

"Sewerage System Operation and Maintenance Fund" to provide for the reasonable and proper operation and maintenance of the utility.

"Sewerage System Bond and Interest Special Redemption Fund" (herein referred to as the "Special Redemption Fund") to be applied to the payment of the principal and interest on bonds.

"Sewerage System Depreciation Fund" to provide a proper and adequate depreciation account for the system.

The percentage of allocation to the above funds is subject to amendment by the Common Council provided that the proportion applicable to the Special Redemption Fund shall at all times be sufficient for its purposes. The City is maintaining these funds.

In addition to the above accounts, the resolutions also call for segregation of funds into a "Surplus Fund". This account has not been separately established within the utility records, but is included as a part of the operation and maintenance fund called for above.

In addition to the reserve account, the City had a balance of \$155,501 in the depreciation account at December 31, 2015. During 2000, the City passed a resolution to finance all debt service of the sewer utility (not specifically funded by other sources) from the future facility account maintained in the utility. All sewer hook-up fees received by the utility are set aside into this account. The account is to be jointly used to fund debt service of the utility and provide funding for future plant expansion and replacement. The balance of the account at December 31, 2015 was \$4,883,992, of which \$190,000 was restricted for funding the redemption account.

The separate accounts called for in the resolution authorizing the Clean Water Fund bonds issued to finance the City's share of the biosolids facility construction costs are maintained by the Facility as authorized by the State (see also Note 4.D).

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 3 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Governmental Fund Balances

The governmental fund balances reported on the fund financial statements at December 31, 2015 consisted of the following:

	Total	Nonspendable	Restricted	Committed	Assigned	Unassigned
Major Funds:						
General Fund	\$ 5,205,988	\$ -	\$ -	\$ -	\$ -	\$ -
Delinquent Taxes	-	10,664	-	-	-	-
Prepayments	-	39,543	-	-	-	-
Advances to Other Funds	-	74,264	-	-	-	-
Police Equipment	-	-	-	-	15,635	-
Fire Equipment	-	-	-	-	37,123	-
Energy Savings	-	-	-	-	6,987	-
Room Tax	-	-	-	-	93,561	-
BOGO Tree Funds	-	-	-	-	1,461	-
Health Insurance Reserve	-	-	-	-	475,767	-
Unassigned	-	-	-	-	-	4,450,983
Impact Fees Fund	1,487,098	-	1,487,098	-	-	-
Debt Service Fund	110,388	-	110,388	-	-	-
Capital Projects Fund	4,039,685	-	1,776,379	2,263,306	-	-
Nonmajor Funds:						
Special Revenue Funds:						
Sewer Collection System						
Replacement Fund	1,010,842	-	-	1,010,842	-	-
Stormwater Fund	537,630	-	537,630	-	-	-
Parks Dedication Fees Fund	593,895	-	593,895	-	-	-
Police Donations Fund	15,526	-	15,526	-	-	-
Police Drug Forfeitures Fund	759	-	759	-	-	-
Business Park Revolving Loan Fund	545,077	-	545,077	-	-	-
Total Governmental Fund Balances at December 31, 2015	<u>\$ 13,546,888</u>	<u>\$ 124,471</u>	<u>\$ 5,066,752</u>	<u>\$ 3,274,148</u>	<u>\$ 630,534</u>	<u>\$ 4,450,983</u>

G. Business Park Revolving Loan Fund

The City was awarded a grant by the Wisconsin Department of Commerce under the Major Economic Development (MED) program in 2003 in the amount of \$850,000. The funds were to be used to assist in financing site acquisition costs from the St. Croix Business Park for a major business to locate within the business park. Upon closing of the sale, St. Croix Business Park was to pay \$425,000 of the funds to the City to establish a separate revolving loan fund under the management and direction of the City to be used by St. Croix Business Park to assist future economic development projects in the City.

The \$425,000 was recorded in a separate special revenue fund by the City. There were no loans outstanding at December 31, 2015. Outstanding balances on the loans would be shown as long-term receivables in the business park revolving loan special revenue fund and would be equally offset by a deferred inflow of resources. The balance in the fund at December 31, 2015 totaled \$545,077.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 OTHER INFORMATION

A. Wisconsin Retirement System Pension Plan Benefits

Plan Description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. The WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits Provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 OTHER INFORMATION (CONTINUED)

A. Wisconsin Retirement System Pension Plan Benefits (Continued)

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the fiscal reporting period January 1, 2015 through December 31, 2015, the WRS recognized \$290,184 in contributions from the employer.

Contribution rates for 2015 are:

	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	6.80%	6.80%
Executives and Elected Officials	7.70%	7.70%
Protective with Social Security	6.80%	9.63%
Protective without Social Security	6.80%	13.23%

Post-Retirement Adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2005	2.6%	7.0%
2006	0.8	3.0
2007	3.0	10.0
2008	6.6	0.0
2009	(2.1)	(42.0)
2010	(1.3)	22.0
2011	(1.2)	11.0
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 OTHER INFORMATION (CONTINUED)

A. Wisconsin Retirement System Pension Plan Benefits (Continued)

**Pension Assets, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions**

At December 31, 2015, the City reported an asset of \$917,900 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. The City's proportion of the net pension asset was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers. At December 31, 2014, the City's proportion was 0.03932084 percent, which was an increase of 0.0005895 from its proportion measured as of December 31, 2013.

For the year ended December 31, 2015, the City recognized pension expense of \$363,889 and \$18,991 of pension expense was allocated to component units. At December 31, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ 140,015	\$ -
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	467,700	-
Changes in Proportion and Differences Between City Contributions and Proportionate Share of Contributions	16,974	-
City Contributions Subsequent to the Measurement Date	385,618	-
Total	1,010,307	-
Less Amount Allocated to Component Units	(50,133)	-
Total Primary Government	\$ 960,174	\$ -

\$385,619 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an addition to the net pension asset in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 OTHER INFORMATION (CONTINUED)

A. Wisconsin Retirement System Pension Plan Benefits (Continued)

**Pension Assets, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions (Continued)**

<u>Year Ended December 31:</u>	<u>Pension Expense Amount</u>
2016	\$ 122,687
2017	122,687
2018	122,687
2019	122,687
2020	122,687
Thereafter	11,254

Actuarial assumptions. The total pension asset in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of Net Pension Liability (Asset):	December 31, 2014
Actuarial Cost Method:	Frozen Entry Age
Asset Valuation Method:	5-Year Smoothed Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Inflation:	2.0% to 2.7% - approximate
Salary Increases:	3.2% to 8.8% including inflation
	WRS experience projected to
Mortality:	2017 with scale BB
Post-retirement Adjustments*:	5.0%

*No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the table on the following page:

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 OTHER INFORMATION (CONTINUED)

A. Wisconsin Retirement System Pension Plan Benefits (Continued)

**Pension Assets, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions (Continued)**

Asset Class	Core Asset Allocation		Variable Asset Allocation	
	Target Allocation	Long-Term Expected Real Rate of Return	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	21%	5.3%	70%	5.3%
International Equity	23%	5.7%	30%	5.7%
Fixed Income	36%	1.7%	N/A	N/A
Inflation Sensitive Assets	20%	2.3%	N/A	N/A
Real Estate	7%	4.2%	N/A	N/A
Private Equity/Debt	7%	6.9%	N/A	N/A
Multi-Asset	6%	3.9%	N/A	N/A
Cash	-20%	0.9%	N/A	N/A
Totals	100%		100%	

Discount rate. A single discount rate of 7.20 percent was used to measure the total pension asset. This single discount rate was based on the expected rate of return on pension plan investments of 7.20 percent and a long term bond rate of 3.56 percent. Because of the unique structure of WRS, the 7.20 percent expected rate of return implies that a dividend of approximately 2.1 percent will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension asset.

Sensitivity of the City's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the City's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the City's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
City's Proportionate Share of the Net Pension Liability (Asset)	\$ 2,724,765	\$ (965,827)	\$ (3,880,508)

CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4 OTHER INFORMATION (CONTINUED)

A. Wisconsin Retirement System Pension Plan Benefits (Continued)

**Pension Assets, Pension Expense, and Deferred Outflows of Resources and
Deferred Inflows of Resources Related to Pensions (Continued)**

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

B. Employee Leave Liabilities

Vacation. City employees are granted vacation in varying amounts based on length of service. Vacation earned in one calendar year is available for use on January 1 of the subsequent year. Unrecorded vacation accruals generally do not exceed the amount earned for one year. An employee may, with the employer's written permission, carry over unused vacation credit (limited, depending on department) to the first six months of the following year. The estimated liabilities for accumulated vacation leave at December 31, 2015 were \$267,018 for governmental funds, \$93,014 for enterprise funds, \$19,971 for the Joint Library component unit, and \$11,146 for the Community Access Board component unit.

Compensatory Time. It is the City's policy that police employees may accumulate compensatory time. Two librarians are also allowed to accumulate compensatory time. Accumulated compensatory time payable at December 31, 2015 totaled \$71,996. This amount includes \$71,089 reflected as a liability in the government-wide financial statements for governmental activities and \$907 reflected in the Joint Library component unit.

Sick Leave. The City allows employees to accumulate sick leave for use in subsequent years. The City does not pay employees for accumulated sick leave upon termination of employment, but allows for a portion of accumulated sick leave to be used as a credit for post-employment health insurance upon retirement. The liability for this benefit is included in the City's other postemployment benefits (OPEB).

C. Other Postemployment Benefit Plan

The City implemented the requirements of Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The City engaged an actuary to determine its liability for postemployment healthcare benefits other than pensions.

CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefit Plan (Continued)

Plan Description

The City incurs a liability for postemployment health care benefits under its current plan and policies as follows:

Conversion of Sick Leave. The City allows for a portion of accumulated sick leave to be used as a credit for post-employment health insurance upon retirement based upon the rate of pay at the time of retirement.

Implicit Rate Subsidy. The City plan uses a blended rate for both active and retired employees. The difference between the blended rate and the higher age-adjusted rate is considered a subsidy of the retirees' health insurance cost.

Funding Policy

The City funds its OPEB obligation on a pay as you go basis (PAYGO). For fiscal year 2015, the City contributed an estimated \$101,401 to the plan under this basis.

Annual OPEB Cost and Net OPEB Obligation

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to (paid under) the plan, and changes in the City's net OPEB obligation.

Annual Required Contribution	\$ 200,326
Interest on Net OPEB Obligation	29,202
Adjustment to Annual Required Contribution	<u>(41,399)</u>
Annual OPEB Cost (Expense)	188,129
Employer Contributions under PAYGO Basis	<u>(101,401)</u>
Increase in Net OPEB Obligation	86,728
Net OPEB Obligation - Beginning of Year	<u>730,052</u>
Net OPEB Obligation - End of Year	816,780
Less Amount Allocated to Component Units	<u>(41,930)</u>
Net OPEB Obligation - End of Year - Primary Government	<u><u>\$ 774,850</u></u>

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 OTHER INFORMATION (CONTINUED)

C. Other Postemployment Benefit Plan (Continued)

Annual OPEB Cost and Net OPEB Obligation (Continued)

The City's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years:

Fiscal Year Ended	Annual OPEB Cost	Employer Contributions	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2015	\$ 188,129	\$ 101,401	53.9%	\$ 816,780
12/31/2014	175,686	50,158	28.5	730,052
12/31/2013	178,578	24,415	13.7	604,524

Funded Status and Funding Progress

As of January 1, 2015, the most recent actuarial valuation date, the City's unfunded actuarial accrued liability (UAAL) was \$1,379,241 or 31.7% of covered payroll in the amount of \$4,350,546.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.0% interest discount rate and salary increases of 2.0-4.0%. The initial healthcare trend rate was 7.25% in 2015 grading to 5.0% over nine years. The UAAL amortization period remaining at December 31, 2015 is less than 30 years.

**CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015**

NOTE 4 OTHER INFORMATION (CONTINUED)

D. Participation in Biosolids Facility

The City is a participating member of the West Central Wisconsin Biosolids Facility (Facility), a facility jointly constructed by eleven Wisconsin communities to provide for the treatment, storage and disposal of biosolids (sludge). The communities have created a commission pursuant to Section 66.0301 (formerly 66.30) of the Wisconsin Statutes to administer the Facility with said commission to operate as a governmental body under Section 19.82(1) of the Statutes. Costs of operation of the Facility are to be recovered from users of the Facility (both members and nonmembers) based on usage. The City is advanced billed quarterly for its estimated share of costs. The billings are subject to a final adjustment based on actual costs and actual usage.

Pursuant to an agreement establishing the City's participation in the Facility, the City was required to provide initial funding for its share of the start-up and construction costs of the Facility. Accordingly, the City authorized the issuance of \$1,682,740 of mortgage revenue bonds to the State of Wisconsin under the Clean Water Fund Financial Assistance Program and procured a grant from the Wisconsin Department of Administration to fund its share of the costs. Proceeds of the debt and of the grant relating to this project were remitted to the Facility. The Facility is directly funding repayment of the debt and is recovering the costs thereof through its user charges. The Facility is also amortizing the grant proceeds over the same term as the debt and reducing the City's annual user charges by the amount of such amortization. The amount of the unrefunded debt, together with accrued interest, and the uncredited grant proceeds remitted to the Facility are recorded as long-term receivables in the City's sewer utility enterprise fund. During 2015, final payments relating to these mortgage revenue bonds were made and there were no outstanding balances at December 31, 2015.

E. Landfill Postclosure Care Costs

City-Owned Site. The City is responsible for postclosure care costs relating to a landfill site owned by the City. The landfill was closed in prior years and a cover and monitoring wells were installed in 1992. Future postclosure care costs currently consist solely of monitoring emissions from the site wells and the water quality of identified adjacent property owners' wells. The Wisconsin Department of Natural Resources did not stipulate a specific future timeframe for the required monitoring and, accordingly, no liability has been recorded for these ongoing costs in the government-wide financial statements. Total expenditures during 2015 were \$16,791. Future annual expenditures are expected to be similar to current year expenditures.

CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Discretely Presented Component Units

St Croix Business Park

Capital assets activity for the St Croix Business Park for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Not Being Depreciated:				
Land	\$ 1,826,856	\$ 30,826	\$ 71,869	\$ 1,785,813
Capital Assets Being Depreciated:				
Land Improvements	82,725	25,760	-	108,485
Total Capital Assets	<u>1,909,581</u>	<u>56,586</u>	<u>71,869</u>	<u>1,894,298</u>
Accumulated Depreciation:				
Land Improvements	<u>30,312</u>	<u>4,137</u>	<u>-</u>	<u>34,449</u>
Net Capital Assets - Joint Library	<u>\$ 1,879,269</u>	<u>\$ 52,449</u>	<u>\$ 71,869</u>	<u>\$ 1,859,849</u>

Depreciation expense charged to the Business Park was \$4,137.

Joint Library

Capital assets activity for the Joint Library for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital Assets Being Depreciated:				
Buildings and Improvements	\$ 523,386	\$ -	\$ -	\$ 523,386
Machinery and Equipment	650,442	-	59,101	591,341
Total Capital Assets	<u>1,173,828</u>	<u>-</u>	<u>59,101</u>	<u>1,114,727</u>
Accumulated Depreciation:				
Buildings and Improvements	91,245	20,371	-	111,616
Machinery and Equipment	78,716	77,041	59,101	96,656
Total Accumulated Depreciation	<u>169,961</u>	<u>97,412</u>	<u>59,101</u>	<u>208,272</u>
Net Capital Assets - Joint Library	<u>\$ 1,003,867</u>	<u>\$ (97,412)</u>	<u>\$ -</u>	<u>\$ 906,455</u>

Depreciation expense charged to the Joint Library was \$97,412.

CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4 OTHER INFORMATION (CONTINUED)

F. Discretely Presented Component Units (Continued)

Joint Library (Continued)

The long-term obligations activity for the Joint Library component unit for the year ended December 31, 2015, was as follows:

	Balance 1/1/15	Additions	Reductions	Balance 12/31/15	Amounts Due Within One Year
Employee Leave Liability	\$ 26,772	\$ -	\$ 5,894	\$ 20,878	\$ 20,878
Other Postemployment Benefits Payable	28,933	1,668	899	29,702	-
Total Long-Term Obligations	<u>\$ 55,705</u>	<u>\$ 1,668</u>	<u>\$ 6,793</u>	<u>\$ 50,580</u>	<u>\$ 20,878</u>

Community Access Board

Capital assets activity for the Community Access Board for the year ended December 31, 2015, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Machinery and Equipment	\$ 135,669	\$ 9,528	\$ -	\$ 145,197
Accumulated Depreciation:	78,645	9,703	-	88,348
Net Capital Assets - Community Access Board	<u>\$ 57,024</u>	<u>\$ (175)</u>	<u>\$ -</u>	<u>\$ 56,849</u>

Depreciation expense charged to the Community Access Board was \$9,703.

The long-term obligations activity for the Community Access Board component unit for the year ended December 31, 2015, was as follows:

	Balance 1/1/15	Additions	Reductions	Balance 12/31/15	Amounts Due Within One Year
Employee Leave Liability	\$ 7,798	\$ 3,348	\$ -	\$ 11,146	\$ 11,146
Other Postemployment Benefits Payable	9,500	5,917	3,189	12,228	-
Total Long-Term Obligations	<u>\$ 17,298</u>	<u>\$ 9,265</u>	<u>\$ 3,189</u>	<u>\$ 23,374</u>	<u>\$ 11,146</u>

G. Risk Management and Litigation Matters

The City is exposed to various risks of loss related to torts; theft of, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains, including its component units, commercial insurance coverage covering each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the City. Settled claims have not exceeded this commercial coverage in any of the last three years.

CITY OF HUDSON, WISCONSIN
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2015

NOTE 4 OTHER INFORMATION (CONTINUED)

H. Change in Accounting Principle

During the year ended December 31, 2015, the City adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68*. These pronouncements require the restatement of the December 31, 2014, net position of the governmental activities, business-type activities, water utility fund, sewer utility fund, parking utility fund, ambulance service fund, and discretely presented component units as follows:

	Governmental Activities	Business-Type Activities	Water Utility Fund	Sewer Utility Fund	Parking Utility Fund	Ambulance Fund	Joint Library	Community Access Board
Net Position, December 31, 2014, as Previously Reported	\$ 44,650,285	\$ 44,816,583	\$ 30,366,050	\$ 11,884,361	\$ 1,644,703	\$ 921,469	\$ 1,225,146	\$ 952,983
Cumulative Affect of Application of GASB 68, Net Pension Asset (Liability)	1,184,056	311,329	134,077	96,871	7,002	73,379	62,128	15,950
Cumulative Affect of Application of GASB 71, Deferred Outflow of Resources for City Contributions Made to the Plan During Fiscal Year Ending December 31, 2014	287,308	75,542	32,533	23,505	1,699	17,805	15,075	3,870
Net Position, December 31, 2014, as Restated	<u>\$ 46,121,649</u>	<u>\$ 45,203,454</u>	<u>\$ 30,532,660</u>	<u>\$ 12,004,737</u>	<u>\$ 1,653,404</u>	<u>\$ 1,012,653</u>	<u>\$ 1,302,349</u>	<u>\$ 972,803</u>

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE 1

**CITY OF HUDSON, WISCONSIN
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2015**

	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 5,807,588	\$ 5,807,588	\$ 5,850,154	\$ 42,566
Intergovernmental	855,883	855,883	849,958	(5,925)
Licenses and Permits	255,330	255,330	398,667	143,337
Fines and Forfeits	127,000	127,000	102,810	(24,190)
Public Charges for Services	116,700	116,700	120,753	4,053
Intergovernmental Charges for Services	570,232	570,232	573,084	2,852
Miscellaneous:				
Interest	55,000	55,000	51,310	(3,690)
Rent	145,000	145,000	145,600	600
Other	33,000	33,000	237,461	204,461
Total Revenues	<u>7,965,733</u>	<u>7,965,733</u>	<u>8,329,797</u>	<u>364,064</u>
EXPENDITURES:				
General Government	1,675,742	2,081,192	1,941,421	139,771
Public Safety	4,122,154	4,172,989	3,822,836	350,153
Transportation Facilities	1,478,211	1,474,561	1,321,496	153,065
Sanitation	55,822	38,972	34,570	4,402
Health and Human Services	15,600	15,600	15,986	(386)
Culture, Recreation and Education	869,222	924,553	908,954	15,599
Conservation and Development	250,982	258,032	252,033	5,999
Total Expenditures	<u>8,467,733</u>	<u>8,965,899</u>	<u>8,297,296</u>	<u>668,603</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(502,000)</u>	<u>(1,000,166)</u>	<u>32,501</u>	<u>1,032,667</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of Property	8,000	8,250	6,346	(1,904)
Transfers In	494,000	494,000	779,004	285,004
Transfers Out	-	(51,550)	(51,547)	3
Total Other Financing Sources (Uses)	<u>502,000</u>	<u>450,700</u>	<u>733,803</u>	<u>283,103</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (549,466)</u>	<u>766,304</u>	<u>\$ 1,315,770</u>
Fund Balance, January 1			<u>4,439,684</u>	
FUND BALANCE, DECEMBER 31			<u>\$ 5,205,988</u>	

See Notes to Required Supplementary Information

SCHEDULE 2

**CITY OF HUDSON, WISCONSIN
SCHEDULE OF FUNDING PROGRESS FOR POSTEMPLOYMENT BENEFIT PLAN**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
1/1/2015	\$ -	\$ 1,379,241	\$ 1,379,241	0%	\$ 4,350,546	31.7%
1/1/2012	-	1,291,226	1,291,226	0%	4,167,014	31.0%
1/1/2009	-	1,009,732	1,009,732	0%	3,513,736	28.7%

See Notes to Required Supplementary Information

**CITY OF HUDSON, WISCONSIN
SCHEDULE OF PROPORTIONATE SHARE OF
WISCONSIN RETIREMENT SYSTEM NET PENSION PLAN ASSET
LAST TEN FISCAL YEARS***

	Measurement Date December 31, 2014
City's proportion of the net pension liability (asset)	0.03932084%
City's proportionate share of the net pension liability (asset)	\$ (965,827)
City's covered-employee payroll	\$ 4,775,480
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	-20.22%
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%

*This schedule is presented prospectively from implementation.

**CITY OF HUDSON, WISCONSIN
SCHEDULE OF CONTRIBUTIONS TO
WISCONSIN RETIREMENT SYSTEM PENSION PLAN
LAST TEN FISCAL YEARS***

	<u>2015</u>
Contractually Required Contribution	\$ 385,618
Contributions in Relation to the Contractually Required Contributions	<u>(385,618)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
City's Covered-Employee Payroll	\$ 4,990,775
Contributions as a Percentage of Covered Employee Payroll	7.73%

Changes of Benefit Terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of Assumptions. There were no changes in the assumptions.

*This schedule is presented prospectively from implementation.

CITY OF HUDSON, WISCONSIN
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2015

BUDGETARY INFORMATION

Generally accepted accounting principles (GAAP) requires the presentation of budgetary comparison schedules for the general fund and for each major special revenue fund. Budgetary information is derived from the City's annual operating budget. The City did not formally adopt a budget for the Impact Fees Fund, a major special revenue fund. Funds are appropriated to the Impact Fees Fund by Council on a project-by-project basis.

The City's budget is adopted in accordance with Chapter 65 of the Wisconsin Statutes and on a basis consistent with generally accepted accounting principles. Changes to appropriations authorized in the adopted budget generally require a vote of two-thirds of the entire membership of the governing body. The City's legal budget is adopted at the major function level in the general fund (i.e., general government) and at the fund level in all other funds. The City exercises budgetary expenditure control at the department level.

Budget amounts in the financial statements include both the original adopted budget and the final budget. Changes to the budget during the year, if any, generally include amendments authorized by the governing body, additions of approved carryover amounts and appropriations of revenues and other sources for specified expenditures/uses. Appropriated budget amounts lapse at the end of the year unless specifically carried over for financing subsequent year expenditures.

SUPPLEMENTARY INFORMATION

COMBINING AND INDIVIDUAL FUND STATEMENTS

SCHEDULE A-1

**CITY OF HUDSON, WISCONSIN
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2015**

	Special Revenue Funds							
	Sewer Collection System Replacement	Parks Dedication Fees	Police Donations	Police Drug Forfeitures	Business Park Revolving Loan Fund	Storm Fund	Stormwater Fund	Total Nonmajor Governmental Funds
ASSETS								
Cash and Investments	\$ 1,010,842	\$ 593,895	\$ 15,526	\$ 759	\$ 545,077	\$ -	\$ 454,407	\$ 2,620,506
Accounts Receivable	-	-	-	-	-	-	92,281	92,281
Total Assets	<u>\$ 1,010,842</u>	<u>\$ 593,895</u>	<u>\$ 15,526</u>	<u>\$ 759</u>	<u>\$ 545,077</u>	<u>\$ -</u>	<u>\$ 546,688</u>	<u>\$ 2,712,787</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES								
Liabilities:								
Vouchers and Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,981	\$ 8,981
Accrued Wages	-	-	-	-	-	-	77	77
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,058</u>	<u>9,058</u>
Fund Balances:								
Restricted	-	593,895	15,526	759	545,077	-	537,630	1,692,887
Committed	1,010,842	-	-	-	-	-	-	1,010,842
Total Fund Balances	<u>1,010,842</u>	<u>593,895</u>	<u>15,526</u>	<u>759</u>	<u>545,077</u>	<u>-</u>	<u>537,630</u>	<u>2,703,729</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,010,842</u>	<u>\$ 593,895</u>	<u>\$ 15,526</u>	<u>\$ 759</u>	<u>\$ 545,077</u>	<u>\$ -</u>	<u>\$ 546,688</u>	<u>\$ 2,712,787</u>

**CITY OF HUDSON, WISCONSIN
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED DECEMBER 31, 2015**

	Special Revenue Funds						Total Nonmajor Governmental Funds
	Sewer Collection System Replacement	Parks Dedication Fees	Police Donations	Police Drug Forfeitures	Business Park Revolving Loan Fund	Storm Fund	Stormwater Fund
REVENUES:							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 118,958	\$ -
Public Charges for Services	57,332	-	-	-	-	-	303,856
Miscellaneous:							
Allocated Investment Earnings	8,070	4,332	(286)	-	4,382	1,057	3,294
Loan Repayments - Interest	-	-	-	-	124	-	-
Loan Repayments - Principal	-	-	-	-	12,467	-	-
Other	-	175,712	11,193	-	-	-	-
Total Revenues	<u>65,402</u>	<u>180,044</u>	<u>10,907</u>	<u>-</u>	<u>16,973</u>	<u>120,015</u>	<u>307,150</u>
EXPENDITURES:							
Public Safety	-	-	17,164	-	-	-	-
Transportation Facilities	-	-	-	-	-	-	155,611
Culture, Recreation and Education	-	13,782	-	-	-	208,848	-
Total Expenditures	<u>-</u>	<u>13,782</u>	<u>17,164</u>	<u>-</u>	<u>-</u>	<u>208,848</u>	<u>155,611</u>
EXCESS OF REVENUES OVER EXPENDITURES	65,402	166,262	(6,257)	-	16,973	(88,833)	151,539
OTHER FINANCING SOURCES (USES):							
Transfers In	-	-	-	-	-	180,000	6,471
Transfers Out	-	(30,000)	-	-	-	(325,142)	(11,860)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(30,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(145,142)</u>	<u>(5,389)</u>
NET CHANGE IN FUND BALANCES	65,402	136,262	(6,257)	-	16,973	(233,975)	146,150
Fund Balances, January 1	<u>945,440</u>	<u>457,633</u>	<u>21,783</u>	<u>759</u>	<u>528,104</u>	<u>233,975</u>	<u>391,480</u>
FUND BALANCES, DECEMBER 31	<u>\$ 1,010,842</u>	<u>\$ 593,895</u>	<u>\$ 15,526</u>	<u>\$ 759</u>	<u>\$ 545,077</u>	<u>\$ -</u>	<u>\$ 537,630</u>

**CITY OF HUDSON, WISCONSIN
GENERAL FUND
DETAILED BALANCE SHEET
DECEMBER 31, 2015
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2014)**

	2015	2014
ASSETS		
Treasurer's Cash and Investments	\$ 5,591,300	\$ 4,955,379
Petty Cash	1,000	900
Current Taxes Receivable	5,510,967	5,281,958
Delinquent Personal Property Taxes	10,664	6,844
Accounts Receivable	84,902	128,867
Due from Other Governmental Units	94,423	59,861
Advances to Other Funds	74,264	132,538
Prepayments	39,543	23,335
	<u> </u>	<u> </u>
Total Assets	<u>\$ 11,407,063</u>	<u>\$ 10,589,682</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Vouchers and Accounts Payable	\$ 187,408	\$ 171,945
Payroll Withholdings	81,583	55,861
Accrued Wages	56,602	156,528
Due to Other Governmental Units	17,211	20,741
Special Deposits	169,785	137,564
	<u> </u>	<u> </u>
Total Liabilities	<u>512,589</u>	<u>542,639</u>
Deferred Inflows of Resources:		
Subsequent Year's Property Taxes	5,688,486	5,606,588
Unavailable Revenues - Other	-	771
	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u>5,688,486</u>	<u>5,607,359</u>
Fund Balance:		
Nonspendable		
Delinquent Taxes	10,664	6,844
Prepayments	39,543	23,335
Advances to Other Funds	74,264	132,538
Assigned	630,534	253,965
Unassigned	4,450,983	4,023,002
	<u> </u>	<u> </u>
Total Fund Balance	<u>5,205,988</u>	<u>4,439,684</u>
	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 11,407,063</u>	<u>\$ 10,589,682</u>

CITY OF HUDSON, WISCONSIN
GENERAL FUND
STATEMENT OF CHANGES IN FUND BALANCE
YEAR ENDED DECEMBER 31, 2015

	Balance 1/1/15	Revenues/Other Sources			Net Transfers From (To) General Fund	Total Available	Expenditures/ Transfers to Other Funds	Balance 12/31/15
		Tax Levy	Interest	Other				
Nonspendable:								
Delinquent Taxes	\$ 6,844	\$ -	\$ -	\$ -	\$ 3,820	\$ 10,664	\$ -	\$ 10,664
Advances to Other Funds	132,538	-	-	-	(58,274)	74,264	-	74,264
Prepayments	23,335	-	-	-	16,208	39,543	-	39,543
Total Nonspendable	<u>\$ 162,717</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (38,246)</u>	<u>\$ 124,471</u>	<u>\$ -</u>	<u>\$ 124,471</u>
Assigned:								
Police Equipment	\$ 9,778	\$ -	\$ 111	\$ 5,746	\$ -	\$ 15,635	\$ -	\$ 15,635
Fire Equipment	46,465	-	405	-	-	46,870	9,747	37,123
Health Insurance	111,680	-	3,087	361,000	-	475,767	-	475,767
Energy Savings	6,925	-	62	-	-	6,987	-	6,987
Room Tax	77,669	-	543	62,922	-	141,134	47,573	93,561
BOGO Tree Funds	1,448	-	13	-	-	1,461	-	1,461
Total Assigned	<u>\$ 253,965</u>	<u>\$ -</u>	<u>\$ 4,221</u>	<u>\$ 429,668</u>	<u>\$ -</u>	<u>\$ 687,854</u>	<u>\$ 57,320</u>	<u>\$ 630,534</u>

**CITY OF HUDSON, WISCONSIN
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL
YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2014)**

	2015			
	Final Budget	Actual	Variance - Positive (Negative)	2014 Actual
REVENUES:				
Taxes:				
General Property Taxes	\$ 5,606,588	\$ 5,606,588	\$ -	\$ 5,410,355
Room Tax	190,000	231,161	41,161	212,830
Payment in Lieu of Taxes:				
Housing Authority	10,000	10,000	-	10,000
Other Taxes	-	1,369	1,369	-
Interest and Penalties on Taxes	1,000	1,036	36	839
Total Taxes	<u>5,807,588</u>	<u>5,850,154</u>	<u>42,566</u>	<u>5,634,024</u>
Intergovernmental:				
State Shared Taxes	161,000	168,014	7,014	168,133
State Aid for Exempt Computers	30,000	27,209	(2,791)	30,192
State Fire Insurance Tax	56,000	57,532	1,532	56,622
State Aid for Police Training	7,000	4,480	(2,520)	4,320
State Transportation Aids	592,133	590,927	(1,206)	556,648
Payment for Municipal Services	750	159	(591)	555
County Recycling Grant	4,000	-	(4,000)	-
DNR Urban Forestry Grant	-	-	-	15,053
Other Intergovernmental Aids	5,000	1,637	(3,363)	6,810
Total Intergovernmental	<u>855,883</u>	<u>849,958</u>	<u>(5,925)</u>	<u>838,333</u>
Licenses and Permits:				
Business and Occupational Licenses:				
Liquor and Malt Beverage	20,000	28,380	8,380	18,170
Other	13,730	17,320	3,590	12,310
Dog Licenses (Including County Refund)	6,000	4,877	(1,123)	3,708
Cat Licenses	800	653	(147)	576
Building Permits	200,000	335,751	135,751	229,342
Other Permits	6,300	6,909	609	8,336
Filing Fees	8,500	4,777	(3,723)	14,210
Total Licenses and Permits	<u>255,330</u>	<u>398,667</u>	<u>143,337</u>	<u>286,652</u>

**CITY OF HUDSON, WISCONSIN
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE --
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2014)**

	2015			
	Final Budget	Actual	Variance - Positive (Negative)	2014 Actual
REVENUES: (CONTINUED)				
Fines and Forfeits:				
Court Penalties and Costs	\$ 125,000	\$ 101,282	\$ (23,718)	\$ 124,544
County Court/Miscellaneous	2,000	1,528	(472)	1,952
Total Fines and Forfeits	<u>127,000</u>	<u>102,810</u>	<u>(24,190)</u>	<u>126,496</u>
Public Charges for Services:				
General Government:				
License Publication Fees	100	262	162	71
Maps, Copies and Photos	1,100	613	(487)	930
Assessment Search Fees	9,000	6,175	(2,825)	7,185
Administration Charge to Business Park	12,500	12,430	(70)	12,430
Public Safety:				
Police Special OT	500	1,492	992	340
Public Education Fees	500	225	(275)	250
Casual Call Reimbursement	1,000	672	(328)	952
Public Works:				
Maintenance Charges	1,000	987	(13)	1,819
Weed and Nuisance Charges	3,000	970	(2,030)	1,991
Culture, Recreation and Education:				
Parks and Recreation	22,000	25,911	3,911	27,830
Boat Launching	50,000	55,883	5,883	30,434
Sail Boat Mooring	16,000	15,133	(867)	15,289
Total Public Charges for Services	<u>116,700</u>	<u>120,753</u>	<u>4,053</u>	<u>99,846</u>
Intergovernmental Charges for Services:				
Other Local Governments:				
Fire Protection - Contracts	381,092	390,331	9,239	387,366
School Liaison Officer - School Share	166,140	160,892	(5,248)	78,785
Police Labor Reimbursement	1,000	191	(809)	3,657
Other Charges	-	(482)	(482)	128
Local Departments/Funds:				
Library - Administrative Charge	13,600	13,752	152	13,752
Cable TV Administrative Charge	8,400	8,400	-	8,400
Total Intergovernmental Charges for Services	<u>570,232</u>	<u>573,084</u>	<u>2,852</u>	<u>492,088</u>

**CITY OF HUDSON, WISCONSIN
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2014)**

	2015			
	Final Budget	Actual	Variance - Positive (Negative)	2014 Actual
REVENUES: (CONTINUED)				
Miscellaneous:				
Interest on Investments	\$ 55,000	\$ 51,310	\$ (3,690)	\$ 216,794
MB Occupancy Costs	132,000	132,420	420	121,385
Rent of City Buildings and Property	7,200	7,360	160	7,350
Rent Charge to Ambulance Utility	5,800	5,820	20	5,820
Insurance Dividends	20,000	10,989	(9,011)	36,730
Donations	-	-	-	220
Other Refunds and Reimbursements	13,000	226,472	213,472	12,913
Total Miscellaneous	233,000	434,371	201,371	401,212
 Total Revenues	 7,965,733	 8,329,797	 364,064	 7,878,651
EXPENDITURES:				
General Government:				
Mayor and Council	51,100	46,569	4,531	47,664
Mayor and Council Capital Outlay	1,000	900	100	-
Municipal Court	130,583	99,070	31,513	120,247
Municipal Court Capital Outlay	-	-	-	1,405
City Attorney/Other Legal	101,000	79,886	21,114	105,744
Clerk-Treasurer	312,803	293,320	19,483	283,292
Administrator	87,179	86,504	675	79,083
Labor Negotiator/Drug Test	17,000	16,940	60	13,582
Information Technology	159,113	155,997	3,116	157,899
Elections	13,200	12,757	443	21,574
Assessment of Property	74,813	69,417	5,396	69,036
Insurance/Unallocated	287,700	313,877	(26,177)	243,360
City Hall	167,085	154,585	12,500	131,216
Municipal Building	210,040	191,304	18,736	183,476
Municipal Building Outlay	411,000	410,328	672	-
Illegal Taxes and Refunds	-	1,145	(1,145)	973
Contingency/Special Projects	57,576	8,822	48,754	1,232
Total General Government	2,081,192	1,941,421	139,771	1,459,783

**CITY OF HUDSON, WISCONSIN
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2014)**

	2015		Variance -	
	Final		Positive	2014
	Budget	Actual	(Negative)	Actual
EXPENDITURES: (CONTINUED)				
Public Safety:				
Police Administration	\$ 425,808	\$ 417,569	\$ 8,239	\$ 396,930
Police Patrol	1,950,177	1,781,267	168,910	1,950,295
Police Patrol Capital Outlay	70,000	67,855	2,145	70,607
Criminal Investigation	372,870	365,391	7,479	314,554
School Officer	223,098	206,646	16,452	111,705
Police and Fire Commission	2,700	443	2,257	1,213
Fire Department	355,139	303,918	51,221	354,711
Fire Department Capital Outlay	92,835	78,631	14,204	71,047
Fire Department Training	47,307	44,312	2,995	42,160
Fire Department Officers	23,257	22,534	723	22,694
Fire Deferred Compensation Wages	21,730	16,232	5,498	17,219
Fire Mechanic Wages	10,082	6,436	3,646	8,610
Fire Administration	193,099	175,899	17,200	101,662
Ambulance Subsidy	173,238	173,238	-	171,431
Building Inspection	193,382	150,537	42,845	117,227
Disaster Control	2,000	-	2,000	-
Emergency Government - Sirens	14,767	8,987	5,780	9,115
Dams	1,500	2,941	(1,441)	1,411
Total Public Safety	4,172,989	3,822,836	350,153	3,762,591
Transportation Facilities:				
Streets and Related Facilities:				
Director of Public Works	167,301	167,563	(262)	144,348
Director of Public Works Outlay	30,000	-	30,000	-
Machinery and Equipment	191,542	177,199	14,343	155,332
Garage - Storage Sheds	32,600	28,950	3,650	30,503
West Garage	11,000	7,060	3,940	11,289
Street Maintenance	771,784	690,144	81,640	837,733

CITY OF HUDSON, WISCONSIN

GENERAL FUND

DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (CONTINUED)

YEAR ENDED DECEMBER 31, 2015

(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2014)

	2015		Variance -	
	Final Budget	Actual	Positive (Negative)	2014 Actual
EXPENDITURES: (CONTINUED)				
Transportation Facilities: (Continued)				
Streets and Related Facilities: (Continued)				
Highways 94 and 35	\$ 28,720	\$ 28,074	\$ 646	\$ 28,720
Street Lighting	159,150	166,418	(7,268)	187,591
Street Signs and Markings	45,892	27,831	18,061	19,552
Stop and Go Lights	34,022	26,408	7,614	23,448
Sidewalks and Crosswalks	2,350	1,819	531	1,124
Curb and Gutter	200	30	170	242
Storm Sewers	-	-	-	204
Total Transportation Facilities	1,474,561	1,321,496	153,065	1,440,086
Sanitation:				
Landfill	17,800	16,819	981	7,928
Weed Control	12,563	11,457	1,106	6,683
Recycling Coordinator	8,609	6,294	2,315	5,285
Total Sanitation	38,972	34,570	4,402	19,896
Health and Human Services:				
Sealer of Weights and Measures	6,000	6,000	-	6,000
Animal Control	9,600	9,986	(386)	9,691
Total Health and Human Services	15,600	15,986	(386)	15,691
Culture, Recreation and Education:				
Community Subsidies	205,100	195,358	9,742	190,408
Joint Library	300,900	300,900	-	295,000
Parks:				
Parks Administration	97,489	97,330	159	93,734
General Park Maintenance	214,957	210,438	4,519	174,590
Lakefront Park	39,966	39,485	481	32,584
Lakefront Park Outlay	19,181	19,111	70	

**CITY OF HUDSON, WISCONSIN
GENERAL FUND
DETAILED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL (CONTINUED)
YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE ACTUAL AMOUNTS FOR YEAR ENDED DECEMBER 31, 2014)**

	2015		Variance -	2014
	Final Budget	Actual	Positive (Negative)	Actual
EXPENDITURES: (CONTINUED)				
Culture, Recreation and Education: (Continued)				
Parks: (Continued)				
Grandview Park	\$ 46,160	\$ 45,532	\$ 628	\$ 38,674
Celebrations	800	800	-	-
Total Culture, Recreation and Education	<u>924,553</u>	<u>908,954</u>	<u>15,599</u>	<u>824,990</u>
Conservation and Development:				
Shade Tree Control	47,527	44,686	2,841	41,347
Community Development	210,505	207,347	3,158	192,609
Total Conservation and Development	<u>258,032</u>	<u>252,033</u>	<u>5,999</u>	<u>233,956</u>
Total Expenditures	<u>8,965,899</u>	<u>8,297,296</u>	<u>668,603</u>	<u>7,756,993</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,000,166)</u>	<u>32,501</u>	<u>1,032,667</u>	<u>121,658</u>
OTHER FINANCING SOURCES (USES):				
Proceeds from Sale of City Property	8,250	6,346	(1,904)	33,054
Transfers In:				
From Capital Projects Fund	-	325,142	325,142	-
From Water Utility - Tax Equivalent	440,000	396,802	(43,198)	385,948
From Sewer Utility - Tax Equivalent	54,000	57,060	3,060	57,054
Transfers Out:				
To Capital Projects Funds	<u>(51,550)</u>	<u>(51,547)</u>	<u>3</u>	<u>(11,000)</u>
Total Other Financing Sources (Uses)	<u>450,700</u>	<u>733,803</u>	<u>283,103</u>	<u>465,056</u>
NET CHANGE IN FUND BALANCE	<u>\$ (549,466)</u>	<u>766,304</u>	<u>\$ 1,315,770</u>	<u>586,714</u>
Fund Balance, January 1		<u>4,439,684</u>		<u>3,852,970</u>
FUND BALANCE, DECEMBER 31		<u>\$ 5,205,988</u>		<u>\$ 4,439,684</u>

**CITY OF HUDSON, WISCONSIN
PUBLIC WORKS CAPITAL PROJECTS FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BY PROJECT
YEAR ENDED DECEMBER 31, 2015**

	2011 Capital Projects	2012 Capital Projects	2013 Capital Projects	2014 Capital Projects	2014 Parks Projects	2014 Equipment	2014 Street Projects
REVENUES:							
Reimbursements - Special Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Reimbursements - Assessments Interest	-	-	-	-	-	-	-
Adjust to Market Value	-	-	-	-	-	-	-
Allocated Investments Earnings	-	-	-	-	-	-	-
Total Revenues	-	-	-	-	-	-	-
EXPENDITURES:							
Construction/Capital Outlay	-	10,681	30,964	371,629	118,504	-	72,429
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	(10,681)	(30,964)	(371,629)	(118,504)	-	(72,429)
OTHER FINANCING SOURCES (USES):							
Long-Term Debt Issued	-	-	-	-	-	-	-
Allocation of Balances	-	-	-	-	-	-	-
Transfer from General Fund	-	-	-	-	-	-	51,547
Reallocation of Balances on Closed Projects	-	(13,695)	(144,633)	-	-	(41,913)	(242,555)
Transfer to Other Funds	-	-	-	-	-	-	-
Total Other Financing Sources (Uses)	-	(13,695)	(144,633)	-	-	(41,913)	(191,008)
NET CHANGE IN FUND BALANCE	-	(24,376)	(175,597)	(371,629)	(118,504)	(41,913)	(263,437)
Project Balance, January 1	4,109	27,544	202,597	589,014	131,296	41,913	291,048
PROJECT BALANCE, DECEMBER 31	<u>\$ 4,109</u>	<u>\$ 3,168</u>	<u>\$ 27,000</u>	<u>\$ 217,385</u>	<u>\$ 12,792</u>	<u>\$ -</u>	<u>\$ 27,611</u>

SCHEDULE C-1

CITY OF HUDSON, WISCONSIN
PUBLIC WORKS CAPITAL PROJECTS FUND
DETAILED SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BY PROJECT (CONTINUED)
YEAR ENDED DECEMBER 31, 2015

	2015 Capital Projects	2015 Park Projects	2015 Equipment	2015 Street Projects	Vine Street	Public Works Equipment Replacement	Unfunded/ Residual Projects	Total
REVENUES:								
Reimbursements - Special Assessments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 100,361	\$ 100,361
Reimbursements - Assessments Interest	-	-	-	-	-	-	3,841	3,841
Adjust to Market Value	-	-	-	-	-	-	(7,608)	(7,608)
Allocated Investments Earnings	-	-	-	-	-	124	32,604	32,728
Total Revenues	-	-	-	-	-	124	129,198	129,322
EXPENDITURES:								
Construction/Capital Outlay	12,605	202,724	135,757	1,080,748	177,077	-	10,503	2,223,621
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(12,605)</u>	<u>(202,724)</u>	<u>(135,757)</u>	<u>(1,080,748)</u>	<u>(177,077)</u>	<u>124</u>	<u>118,695</u>	<u>(2,094,299)</u>
OTHER FINANCING SOURCES (USES):								
Long-Term Debt Issued	-	-	-	-	-	-	4,000,000	4,000,000
Allocation of Balances	571,000	194,500	559,700	1,369,800	825,000	-	(3,520,000)	-
Transfer from General Fund	-	-	-	-	-	-	-	51,547
Reallocation of Balances on Closed Projects	-	13,695	-	387,188	-	-	41,913	-
Transfer to Other Funds	-	-	-	(156,471)	-	-	-	(156,471)
Total Other Financing Sources (Uses)	<u>571,000</u>	<u>208,195</u>	<u>559,700</u>	<u>1,600,517</u>	<u>825,000</u>	<u>-</u>	<u>521,913</u>	<u>3,895,076</u>
NET CHANGE IN FUND BALANCE	<u>558,395</u>	<u>5,471</u>	<u>423,943</u>	<u>519,769</u>	<u>647,923</u>	<u>124</u>	<u>640,608</u>	<u>1,800,777</u>
Project Balance, January 1	-	-	-	-	-	13,902	937,485	2,238,908
PROJECT BALANCE, DECEMBER 31	<u>\$ 558,395</u>	<u>\$ 5,471</u>	<u>\$ 423,943</u>	<u>\$ 519,769</u>	<u>\$ 647,923</u>	<u>\$ 14,026</u>	<u>\$ 1,578,093</u>	<u>\$ 4,039,685</u>

**CITY OF HUDSON, WISCONSIN
WATER UTILITY ENTERPRISE FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2015
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2014)**

	2015	2014
ASSETS		
Current Assets:		
Cash and Investments:		
Operations	\$ 7,188,382	\$ 6,960,796
Future Facilities Account	96,755	95,898
Customer Accounts Receivable	571,278	601,416
Accounts Receivable on Tax Roll	68,891	79,208
Other Accounts Receivable	35,114	14,918
Due from Other Governmental Units	27,397	30,039
Inventories	29,386	29,766
Total Current Assets	<u>8,017,203</u>	<u>7,812,041</u>
Restricted Assets:		
Cash and Investments:		
Carmichael Impact Assessments	896,326	787,120
Wisconsin Retirement System Pension Plan Asset	<u>82,299</u>	<u>-</u>
Total Restricted Assets	<u>978,625</u>	<u>787,120</u>
Capital Assets:		
Utility Plant in Service	32,929,203	32,213,788
Less Accumulated Depreciation	<u>11,797,510</u>	<u>11,109,795</u>
Net Utility Plant in Service	21,131,693	21,103,993
Construction Work in Progress	<u>939,697</u>	<u>971,318</u>
Total Capital Assets	<u>22,071,390</u>	<u>22,075,311</u>
Total Assets	<u>31,067,218</u>	<u>30,674,472</u>
DEFERRED OUTFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Plan Related	<u>86,090</u>	<u>-</u>
LIABILITIES		
Current Liabilities Payable from Current Assets:		
Vouchers and Accounts Payable	50,509	73,985
Due Other Governmental Units	17,407	14,534
Security Deposits	65,209	49,828
Accrued Employee Liabilities	57,538	58,262
Accrued Wages	8,866	30,320
Unearned Revenue	-	3,709
Total Current Liabilities Payable From Current Assets	<u>199,529</u>	<u>230,638</u>
Current Assets		
Long-Term Liabilities (Net of Current Portion):		
Other Postemployment Benefits Payable	<u>86,502</u>	<u>77,784</u>
Total Liabilities	<u>286,031</u>	<u>308,422</u>
NET POSITION		
Net Investment in Capital Assets	22,071,390	22,075,311
Restricted for Impact Assessments	896,326	787,120
Restricted for Pension Plan	82,299	-
Unrestricted	<u>7,817,262</u>	<u>7,503,619</u>
Total Net Position	<u>\$ 30,867,277</u>	<u>\$ 30,366,050</u>

**CITY OF HUDSON, WISCONSIN
WATER UTILITY ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2014)**

	2015	2014
OPERATING REVENUES:		
Sales of Water:		
Residential	\$ 959,046	\$ 958,666
Commercial	358,578	353,173
Industrial	18,158	18,781
Public Authorities	40,310	41,972
Metered Sales to Temporary Customers	25,553	22,553
Public Fire Protection	702,206	696,711
Private Fire Protection	138,778	137,117
Total Sales of Water	<u>2,242,629</u>	<u>2,228,973</u>
Other Operating Revenues:		
Forfeited Discounts	32,888	35,689
Tower Leasing	259,477	221,967
Meter Charge to Sewer	159,817	180,763
Other Operating Revenues	136,406	28,928
Total Other Operating Revenues	<u>588,588</u>	<u>467,347</u>
Total Operating Revenues	<u>2,831,217</u>	<u>2,696,320</u>
OPERATING EXPENSES:		
Operation and Maintenance	1,609,452	1,671,908
Depreciation	731,232	761,414
Total Operating Expenses	<u>2,340,684</u>	<u>2,433,322</u>
OPERATING INCOME	490,533	262,998
NONOPERATING REVENUES (EXPENSES):		
Investment Income	68,062	267,965
INCOME BEFORE CONTRIBUTIONS AND TRANSFERS	<u>558,595</u>	<u>530,963</u>
CAPITAL CONTRIBUTIONS:		
Impact Fees Applied	172,824	76,558
TRANSFERS:		
Transfer to General Fund	(396,802)	(385,948)
CHANGE IN NET POSITION	334,617	221,573
Net Position, January 1	30,366,050	30,144,477
Change in Accounting Principle	166,610	-
Net Position, January 1 - Restated	<u>30,532,660</u>	<u>30,144,477</u>
NET POSITION, DECEMBER 31	<u>\$ 30,867,277</u>	<u>\$ 30,366,050</u>

CITY OF HUDSON, WISCONSIN
WATER UTILITY ENTERPRISE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015
 (WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 2,003,767	\$ 1,865,181
Cash Received for Public Fire Protection	702,206	696,711
Cash Received for Sewer Share of Meter Related Expense	159,817	180,763
Cash Payments to Suppliers for Goods and Services	(747,650)	(711,353)
Cash Payments for Employee Services	(897,264)	(902,492)
Net Cash Provided by Operating Activities	<u>1,220,876</u>	<u>1,128,810</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash Payments for Tax Equivalents	<u>(396,802)</u>	<u>(385,948)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash Payments for Capital Assets	(722,194)	(1,044,869)
Cash Payments for Removal of Capital Assets	(5,117)	(27,637)
Cash Received for Impact Fees	172,824	76,558
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(554,487)</u>	<u>(995,948)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Earnings on Investments	<u>68,062</u>	<u>267,965</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	337,649	14,879
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>7,843,814</u>	<u>7,828,935</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 8,181,463</u></u>	<u><u>\$ 7,843,814</u></u>

CITY OF HUDSON, WISCONSIN
WATER UTILITY ENTERPRISE FUND
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2014)

	2015	2014
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 490,533	\$ 262,998
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Change in Pension Plan	(1,779)	-
Depreciation	731,232	761,414
(Increase) Decrease in Assets:		
Customer Accounts Receivable	30,138	16,783
Accounts Receivable on Tax Roll	10,317	1,240
Other Accounts Receivable	(20,196)	10,736
Due from Other Governmental Units	2,642	6,314
Inventories	380	1,503
Increase (Decrease) in Liabilities:		
Accounts Payable	(23,476)	42,719
Special Deposits	15,381	11,560
Accrued Wages	(21,454)	3,752
Accrued Employee Benefits	7,994	11,484
Unearned Revenue	(3,709)	(298)
Due to Other Governmental Units	2,873	(1,395)
Net Cash Provided by Operating Activities	<u>\$ 1,220,876</u>	<u>\$ 1,128,810</u>
RECONCILIATION OF CASH AND INVESTMENTS TO CASH AND CASH EQUIVALENTS:		
Cash and Investments per Statement of Net Position:		
Cash and Investments	\$ 7,285,137	\$ 7,056,694
Cash and Investments - Restricted	<u>896,326</u>	<u>787,120</u>
Cash and Cash Equivalents	<u>\$ 8,181,463</u>	<u>\$ 7,843,814</u>

CITY OF HUDSON, WISCONSIN
 WATER UTILITY ENTERPRISE FUND
 SCHEDULE OF OPERATION AND MAINTENANCE EXPENSES
 YEAR ENDED DECEMBER 31, 2015
 (WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2014)

	2015	2014
Pumping:		
Salaries and Wages	\$ 89,605	\$ 76,038
Fringe Benefits	44,106	37,816
Power Purchased for Pumping	166,180	167,934
Operating Supplies	46,381	55,190
Maintenance of Structures and Improvements	20,040	18,390
Maintenance of Pumping Plant	45,069	38,361
Total Pumping	<u>411,381</u>	<u>393,729</u>
Water Treatment:		
Salaries and Wages	52,781	47,654
Fringe Benefits	27,175	24,893
Operating Supplies	13,338	19,251
Chemicals	26,155	27,737
Maintenance Supplies	6,234	10,190
Total Water Treatment	<u>125,683</u>	<u>129,725</u>
Transmission and Distribution:		
General Transmission and Distribution Expenses:		
Salaries and Wages	193,467	204,423
Fringe Benefits	94,429	98,239
Operating Supplies	5,152	25,669
Maintenance Supplies	371	556
Maintenance:		
Reservoirs and Towers:		
Salaries and Wages	884	512
Fringe Benefits	405	284
Other Expenses	30,146	2,634
Mains:		
Salaries and Wages	26	475
Fringe Benefits	287	575
Payment to North Hudson	100,591	98,382
Other Expenses	40,623	35,956
Services:		
Salaries and Wages	105	2,888
Fringe Benefits	152	1,021
Other Expenses	15,919	4,263

CITY OF HUDSON, WISCONSIN
WATER UTILITY ENTERPRISE FUND
SCHEDULE OF OPERATION AND MAINTENANCE EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2014)

	2015	2014
Transmission and Distribution (Continued):		
Maintenance (Continued):		
Meters:		
Salaries and Wages	\$ 35,806	\$ 31,600
Fringe Benefits	20,810	21,988
Other Expenses	8,632	47,975
Hydrants:		
Salaries and Wages	3,165	3,975
Fringe Benefits	431	1,334
Other Expenses	1,068	3,761
Other Plant - Supplies	11	-
Total Transmission and Distribution	<u>552,480</u>	<u>586,510</u>
Meter Reading:		
Salaries and Wages	11,046	4,994
Fringe Benefits	4,835	10,340
Other Expenses	3,284	1,733
Total Meter Reading	<u>19,165</u>	<u>17,067</u>
Customer Accounting and Collection:		
Salaries and Wages	25,777	24,301
Fringe Benefits	15,443	15,376
Other Expenses	8,290	11,349
Total Customer Accounting and Collection	<u>49,510</u>	<u>51,026</u>
Administrative and General:		
Salaries and Wages	172,881	200,972
Fringe Benefits	85,012	103,627
Office Supplies and Expenses	31,690	29,499
Outside Services Employed	76,368	57,024
Insurance (except transportation)	43,151	46,648
Rents	4,800	4,800
Miscellaneous General Expense	2,271	2,582
Transportation:		
Salaries and Wages	1,908	2,541
Fringe Benefits	1,489	1,862
Insurance	6,535	3,452
Other Expenses	19,864	35,929
Maintenance of General Plant	5,264	4,915
Total Administrative and General	<u>451,233</u>	<u>493,851</u>
Total Operation and Maintenance Expenses	<u><u>\$ 1,609,452</u></u>	<u><u>\$ 1,671,908</u></u>

CITY OF HUDSON, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2015
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2014)

	2015	2014
ASSETS		
Current Assets:		
Cash and Investments:		
Operations	\$ 326,713	\$ 418,011
Future Facilities Account (Net of Debt Restriction)	4,693,992	4,478,277
Customer Accounts Receivable	328,241	390,037
Accounts Receivable on Tax Roll	53,554	63,198
Other Accounts Receivable	23,738	21,310
Due from Biosolids Facility:		
Current Portion of CWF Loan	-	116,658
Accrued Interest on CWF Loan	-	1,234
Due from Other Governmental Units	26,896	32,076
Total Current Assets	<u>5,453,134</u>	<u>5,520,801</u>
Restricted Assets:		
Cash and Investments:		
Revenue Bond Reserve Account	-	712
Revenue Bond Depreciation Account	155,501	155,090
Bond Redemption Account (from Future Facilities Account)	190,000	190,000
DNR Grant Replacement Account	1,835,346	1,793,909
Wisconsin Retirement System Pension Plan	59,462	-
Total Restricted Assets	<u>2,240,309</u>	<u>2,139,711</u>
Capital Assets:		
Construction Work in Progress	24,278	-
Utility Plant in Service	12,435,324	12,332,522
Less: Accumulated Depreciation	<u>7,363,954</u>	<u>6,987,488</u>
Net Capital Assets	<u>5,095,648</u>	<u>5,345,034</u>
Other Assets:		
Advance to Biosolids Facility:		
Public Facilities Grant	<u>-</u>	<u>19,976</u>
Total Assets	<u>12,789,091</u>	<u>13,025,522</u>
DEFERRED OUTFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Plan Related	<u>62,200</u>	<u>-</u>

CITY OF HUDSON, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2015
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2014)

	2015	2014
LIABILITIES		
Current Liabilities Payable from Current Assets:		
Vouchers and Accounts Payable	\$ 136,781	\$ 82,147
Due to Other Governmental Units	24,184	21,529
Accrued Interest Payable	-	617
Accrued Employee Liabilities	20,585	29,314
Accrued Wages	7,076	23,346
Unearned Revenue	-	19,976
Current Portion of Long-Term Bonds	-	116,658
Total Current Liabilities Payable From Current Assets	<u>188,626</u>	<u>293,587</u>
Current Liabilities Payable From Restricted Assets:		
Accrued Interest Payable	2,893	3,804
Current Portion of Revenue Bonds	197,272	191,804
Total Current Liabilities Payable From Restricted Assets	<u>200,165</u>	<u>195,608</u>
Long-Term Liabilities (Less Current Portion):		
Other Postemployment Benefits Payable	48,566	43,117
Mortgage Revenue Bonds	411,577	608,849
Total Long-Term Liabilities (Net of Current Portion):	<u>460,143</u>	<u>651,966</u>
Total Liabilities	<u>848,934</u>	<u>1,141,161</u>
NET POSITION		
Net Investment in Capital Assets	4,486,799	4,544,381
Restricted for Debt Service	342,608	341,998
Restricted for Asset Replacement	1,835,346	1,793,909
Restricted for Pension Plan	59,462	-
Unrestricted	5,278,142	5,204,073
Total Net Position	<u>\$ 12,002,357</u>	<u>\$ 11,884,361</u>

**CITY OF HUDSON, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2014)**

	2015	2014
OPERATING REVENUES:		
Charges for Services:		
Residential	\$ 1,112,459	\$ 1,144,392
Commercial	314,956	321,288
Industrial	16,458	15,560
Public Authority	42,705	39,898
Less Charges for City/Village Replacement Accounts	(67,970)	(67,704)
Net Charges for Services	1,418,608	1,453,434
Other:		
Forfeited Discounts	15,018	16,819
Dam Maintenance Charges	14,703	7,053
Other	21,686	3,762
Total Operating Revenues	1,470,015	1,481,068
OPERATING EXPENSES:		
Operation and Maintenance	1,468,626	1,581,301
Depreciation	376,466	369,141
Total Operating Expenses	1,845,092	1,950,442
OPERATING LOSS	(375,077)	(469,374)
NONOPERATING REVENUES (EXPENSES):		
Investment Income	58,256	260,800
Interest on Advance to Biosolids Facility	1,851	5,495
Hook-up Fees:		
City	387,165	148,853
Village	2,900	-
Gain on Disposition of Capital Assets	-	29,640
Interest on Long-Term Debt	(20,415)	(29,496)
Total Nonoperating Revenues (Expenses)	429,757	415,292
INCOME (LOSS) BEFORE TRANSFERS	54,680	(54,082)
TRANSFERS:		
Transfer to General Fund	(57,060)	(57,054)
CHANGE IN NET POSITION	(2,380)	(111,136)
Net Position, January 1	11,884,361	11,995,497
Change in Accounting Principle	120,376	-
Net Position, January 1 - Restated	12,004,737	11,995,497
NET POSITION, DECEMBER 31	<u>\$ 12,002,357</u>	<u>\$ 11,884,361</u>

**CITY OF HUDSON, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2014)**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Utility Customers	\$ 1,592,294	\$ 1,538,227
Cash Received for Dam Maintenance	14,703	7,053
Cash Paid for City/Village Surcharges	(60,135)	(72,421)
Cash Paid for Sewer Share of Meter Related Expense	(159,817)	(180,810)
Cash Payments to Suppliers for Goods and Services	(619,940)	(671,711)
Cash Payments for Employee Services	(655,071)	(667,342)
Net Cash Provided by (Used for) Operating Activities	<u>112,034</u>	<u>(47,004)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash Payments for Tax Equivalents	<u>(57,060)</u>	<u>(57,054)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash Payments for Capital Assets	(127,080)	(78,269)
Cash Received as Utility Hook-up Fees	390,065	148,853
Cash Received for Business Park Land Sales	-	29,640
Principal Paid on Long-Term Debt	(191,804)	(186,488)
Interest Paid on Long-Term Debt	<u>(18,858)</u>	<u>(25,505)</u>
Net Cash Used for Capital and Related Financing Activities	<u>52,323</u>	<u>(111,769)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Earnings on Investments	<u>58,256</u>	<u>260,800</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	165,553	44,973
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>7,035,999</u>	<u>6,991,026</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 7,201,552</u></u>	<u><u>\$ 7,035,999</u></u>

CITY OF HUDSON, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2014)

	<u>2015</u>	<u>2014</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Operating Loss	\$ (375,077)	\$ (469,374)
Adjustments to Reconcile Operating Loss to Net Cash Provided by (Used for) Operating Activities:		
Change in Pension Plan	(1,286)	-
Depreciation	376,466	369,141
(Increase) Decrease in Assets:		
Customer Accounts Receivable	61,796	5,667
Accounts Receivable on Tax Roll	9,644	4,672
Other Accounts Receivable	(2,428)	(13,831)
Due from Other Governments	5,180	(3,514)
Increase (Decrease) in Liabilities:		
Accounts Payable	54,634	54,781
Accrued Wages	(16,270)	3,553
Due to Other Government Units	2,655	(1,203)
Accrued Employee Benefits	(3,280)	3,104
Net Cash Provided by (Used for) Operating Activities	<u>\$ 112,034</u>	<u>\$ (47,004)</u>
RECONCILIATION OF CASH AND INVESTMENTS TO CASH AND CASH EQUIVALENTS:		
Cash and Investments per Statement of Net Position:		
Cash and Investments	\$ 5,020,705	\$ 4,896,288
Cash and Investments - Restricted	<u>2,180,847</u>	<u>2,139,711</u>
Cash and Cash Equivalents	<u>\$ 7,201,552</u>	<u>\$ 7,035,999</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:		
Utility Long-Term Debt Paid Directly by Biosolids Facility:		
Principal Repaid	\$ 116,658	\$ 113,071
Interest Paid	1,851	5,495

CITY OF HUDSON, WISCONSIN
SEWER UTILITY ENTERPRISE FUND
SCHEDULE OF OPERATION AND MAINTENANCE EXPENSES
YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2014)

	2015	2014
Collection System:		
Salaries and Related Costs	\$ 43,337	\$ 56,040
Supplies	197	-
Other Services and Charges	9,783	31,824
Total Collection System	<u>53,317</u>	<u>87,864</u>
Wastewater Treatment Plant:		
Salaries and Related Costs	336,165	388,486
Supplies	61,128	59,866
Biosolids Charges	267,965	310,114
Other Services and Charges	211,806	229,446
Total Wastewater Treatment Plant	<u>877,064</u>	<u>987,912</u>
Lift Stations:		
Salaries and Related Costs	48,299	31,627
Supplies	860	250
Other Services and Charges	33,146	18,152
Total Lift Stations	<u>82,305</u>	<u>50,029</u>
Dams:		
Salaries and Related Costs	4,929	6,527
Other Services and Charges	9,774	526
Total Dams	<u>14,703</u>	<u>7,053</u>
Meter Reading:		
Salaries and Related Costs	7,116	16,007
Supplies	6,334	5,529
Meter Use Charge Paid to Water Utility	159,817	180,810
Total Meter Reading	<u>173,267</u>	<u>202,346</u>
Administrative and General:		
Salaries and Related Costs	194,389	175,312
Supplies	3,278	3,230
Insurance	49,006	46,267
Other Services and Charges	21,297	21,288
Total Administrative and General	<u>267,970</u>	<u>246,097</u>
Total Operation and Maintenance Expenses	<u>\$ 1,468,626</u>	<u>\$ 1,581,301</u>

**CITY OF HUDSON, WISCONSIN
PARKING UTILITY ENTERPRISE FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2015
(WITH COMPARATIVE AMOUNTS FOR DECEMBER 31, 2014)**

	2015	2014
ASSETS		
Current Assets:		
Cash and Investments:		
Operations	\$ 218,571	\$ 347,815
Future Facilities	5,470	-
Accounts Receivable	3,268	6,918
Special Assessments	53,288	62,169
Receivable on Tax Roll	11,834	8,881
Total Current Assets	<u>292,431</u>	<u>425,783</u>
Restricted Assets:		
Wisconsin Retirement System Pension Plan Asset	<u>4,298</u>	<u>-</u>
Capital Assets:		
Parking Assets in Service	1,819,532	1,794,350
Less Accumulated Depreciation	<u>419,978</u>	<u>372,391</u>
Total Capital Assets	<u>1,399,554</u>	<u>1,421,959</u>
Total Assets	<u>1,696,283</u>	<u>1,847,742</u>
DEFERRED OUTFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Plan Related	<u>4,496</u>	<u>-</u>
LIABILITIES		
Current Liabilities:		
Vouchers and Accounts Payable	4,491	199,477
Accrued Wages	554	2,837
Due Other Governmental Units	12	-
Unearned Revenue	-	600
Security Deposit	<u>125</u>	<u>125</u>
Total Current Liabilities	<u>5,182</u>	<u>203,039</u>
NET POSITION		
Net Investment in Capital Assets	1,399,554	1,421,959
Restricted	4,298	-
Unrestricted	291,745	222,744
Total Net Position	<u>\$ 1,695,597</u>	<u>\$ 1,644,703</u>

CITY OF HUDSON, WISCONSIN
PARKING UTILITY ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2014)

	2015	2014
OPERATING REVENUES:		
Parking Meters	\$ 119,011	\$ 114,775
Parking Permits	11,763	10,967
Parking Tickets	36,987	51,120
Other	4,855	5,077
	<hr/>	<hr/>
Total Operating Revenues	172,616	181,939
	<hr/>	<hr/>
OPERATING EXPENSES:		
Operation and Maintenance:		
General Utility	72,104	73,787
Parking Lots	12,652	4,476
Meters	3,306	1,850
Total Operation and Maintenance	88,062	80,113
Depreciation	47,587	35,599
	<hr/>	<hr/>
Total Operating Expenses	135,649	115,712
	<hr/>	<hr/>
OPERATING INCOME	36,967	66,227
	<hr/>	<hr/>
NONOPERATING REVENUES (EXPENSES):		
Investment Income	5,074	14,797
Other Nonoperating Revenues	152	70,000
	<hr/>	<hr/>
Total Nonoperating Revenues (Expenses)	5,226	84,797
	<hr/>	<hr/>
CHANGE IN NET POSITION	42,193	151,024
	<hr/>	<hr/>
Net Position, January 1	1,644,703	1,493,679
Change in Accounting Principle	8,701	-
Net Position, January 1 - Restated	1,653,404	1,493,679
	<hr/>	<hr/>
NET POSITION, DECEMBER 31	<u>\$ 1,695,597</u>	<u>\$ 1,644,703</u>

CITY OF HUDSON, WISCONSIN
PARKING UTILITY ENTERPRISE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2014)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers	\$ 133,836	\$ 120,106
Cash Received from Parking Forfeitures	47,922	55,147
Cash Payments to Suppliers for Goods and Services	(225,813)	(7,100)
Cash Payments for Employee Services	(59,611)	(52,749)
Net Cash Provided by Operating Activities	<u>(103,666)</u>	<u>115,404</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash Payments for Capital Assets	(25,182)	(252,722)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Earnings on Investments	<u>5,074</u>	<u>14,797</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	(123,774)	(122,521)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>347,815</u>	<u>470,336</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 224,041</u></u>	<u><u>\$ 347,815</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating Income	\$ 36,967	\$ 66,227
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Change in Pension Plan	(93)	-
Depreciation	47,587	35,599
(Increase) Decrease in Assets:		
Accounts Receivable	3,650	(6,236)
Other Receivables	6,080	(1,050)
Increase (Decrease) in Liabilities:		
Accounts Payable	(194,986)	19,201
Due to Other Governmental Units	12	-
Accrued Wages Payable	(2,283)	1,063
Unearned Revenue	<u>(600)</u>	<u>600</u>
Net Cash Provided by Operating Activities	<u><u>\$ (103,666)</u></u>	<u><u>\$ 115,404</u></u>

**CITY OF HUDSON, WISCONSIN
AMBULANCE SERVICE ENTERPRISE FUND
STATEMENT OF NET POSITION
DECEMBER 31, 2015**

(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2014)

	2015	2014
ASSETS		
Current Assets:		
Cash and Investments		
Operations	\$ 618,168	\$ 527,446
Asset Replacement	26,332	26,099
Accounts Receivable:		
Customer/Patient	323,276	334,253
Allowance for Doubtful Accounts	(89,812)	(89,812)
Prepaid Asset	2,100	-
Total Current Assets	<u>880,064</u>	<u>797,986</u>
Restricted Assets:		
Wisconsin Retirement System Pension Plan Asset	<u>45,042</u>	<u>-</u>
Capital Assets:		
Ambulance Equipment In Service	900,638	801,698
Less: Accumulated Depreciation	<u>514,016</u>	<u>443,713</u>
Net Capital Assets	<u>386,622</u>	<u>357,985</u>
Total Assets	<u>1,311,728</u>	<u>1,155,971</u>
DEFERRED OUTFLOWS OF RESOURCES		
Wisconsin Retirement System Pension Plan Related	<u>47,116</u>	<u>-</u>
LIABILITIES		
Current Liabilities:		
Vouchers and Accounts Payable	101,543	24,213
Accrued Wages	4,940	18,104
Accrued Employee Liabilities	14,891	17,350
Advances from Other Funds	50,307	58,274
Unearned Revenue	6,723	7,141
Total Current Liabilities	<u>178,404</u>	<u>125,082</u>
Long-Term Liabilities:		
Advances from Other Funds (Net of Current Portion)	23,957	74,264
Other Postemployment Benefits	41,694	35,156
Total Long-Term Liabilities:	<u>65,651</u>	<u>109,420</u>
Total Liabilities	<u>244,055</u>	<u>234,502</u>
NET POSITION		
Net Investment in Capital Assets	312,358	225,447
Restricted for Wisconsin Retirement System Pension Plan	45,042	-
Unrestricted	757,389	696,022
Total Net Position	<u>\$ 1,114,789</u>	<u>\$ 921,469</u>

CITY OF HUDSON, WISCONSIN
 AMBULANCE SERVICE ENTERPRISE FUND
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 YEAR ENDED DECEMBER 31, 2015
 (WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2014)

	2015	2014
OPERATING REVENUES:		
Patient Revenue:		
Charges	\$ 2,013,990	\$ 2,008,041
Less Adjustments	(913,266)	(866,153)
Intergovernmental:		
State Grant	7,141	6,486
Contracts:		
City	173,238	171,431
Others	180,817	180,115
Other	-	632
Total Operating Revenues	<u>1,461,920</u>	<u>1,500,552</u>
OPERATING EXPENSES:		
Operation and Maintenance:		
Salaries and Related Costs	821,241	869,775
Other Services and Charges	286,369	253,129
Operating Supplies and Expenses	123,574	126,621
Insurance	58,417	71,192
Building Use Payment to City	2,220	2,220
Total Operation and Maintenance	<u>1,291,821</u>	<u>1,322,937</u>
Depreciation	<u>70,303</u>	<u>64,706</u>
Total Operating Expenses	<u>1,362,124</u>	<u>1,387,643</u>
OPERATING INCOME (LOSS)	<u>99,796</u>	<u>112,909</u>
NONOPERATING REVENUES (EXPENSES):		
Investment Income	3,219	9,036
Donations	2,300	300
Interest Expense	<u>(3,179)</u>	<u>(4,899)</u>
Total Nonoperating Revenues (Expenses)	<u>2,340</u>	<u>4,437</u>
CHANGE IN NET POSITION	102,136	117,346
Net Position, January 1	921,469	804,123
Change in Accounting Principle	91,184	-
Net Position, January 1 - Restated	<u>1,012,653</u>	<u>804,123</u>
NET POSITION, DECEMBER 31	<u><u>\$ 1,114,789</u></u>	<u><u>\$ 921,469</u></u>

**CITY OF HUDSON, WISCONSIN
AMBULANCE SERVICE ENTERPRISE FUND
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015
(WITH COMPARATIVE AMOUNTS FOR YEAR ENDED DECEMBER 31, 2014)**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers/Patients	\$ 1,111,701	\$ 1,070,210
Cash Received from Government Subsidies/Contracts/Grants	360,778	359,319
Cash Payments to Suppliers for Goods and Services	(395,350)	(450,741)
Cash Payments for Employee Services	(831,300)	(847,036)
Net Cash Provided by (Used for) Operating Activities	<u>245,829</u>	<u>131,752</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Cash Received for Donations	<u>2,300</u>	<u>300</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash Payments for Capital Assets	(98,940)	(39,061)
Cash Paid on General Fund Advance	(58,274)	(56,554)
Cash Paid for Interest on Advance	(3,179)	(4,899)
Net Cash Provided by (Used for) Capital Financing Activities	<u>(160,393)</u>	<u>(100,514)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Earnings on Investments	<u>3,219</u>	<u>9,036</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	90,955	40,574
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>553,545</u>	<u>512,971</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>\$ 644,500</u></u>	<u><u>\$ 553,545</u></u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES:		
Operating Income (Loss)	\$ 99,796	\$ 112,909
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided		
Used for Operating Activities:		
Change in Pension Plan Asset	(974)	-
Depreciation	70,303	64,706
Allowance for Customer/Patient Accounts Receivable	-	(16,505)
(Increase) Decrease in Assets:		
Customer/Patient Accounts Receivable	10,977	(49,916)
Prepaid Assets	(2,100)	-
Increase (Decrease) in Liabilities:		
Unearned Revenues	(418)	655
Accrued Employee Liabilities	(9,085)	17,482
Accounts Payable	77,330	2,421
Net Cash Provided by (Used for) Operating Activities	<u><u>\$ 245,829</u></u>	<u><u>\$ 131,752</u></u>